

# A Merry Christmas

Final Edition

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in 2 Sections—Section 1

# The COMMERCIAL and FINANCIAL CHRONICLE

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## Forecastability of the Stock Market

By WASHINGTON DODGE\*

Financial publicist views forecasting as too often constituting a fascinating pastime in lieu of exact science. Critically appraises two approaches to stock market predicting: (1) by mechanistic "systems," which he likens to schemes for beating roulette; and (2) by scientific use of statistics, which are made ineffective by the constantly varying differential between true value and market price. Maintains there is no way of forecasting duration or extremity of market movement; the only possibility being determination of value of particular security in relation to general market. Believes higher prices would be justified in 1947.

Public prophecy is an occupation eschewed by the careful broker. Old hands at the brokerage game are capable ventriloquists, saying nothing but putting their thoughts into the mouths of customers. Most of all to be avoided is the written word—or the word spoken before witnesses. And I see too many witnesses of competence tonight.

Washington Dodge  
But forecasting is a fascinating pastime, whether it be the end-product or the by-product of one's prime enterprise. The reasons for its fascination are (Continued on page 3233)



\*An address by Mr. Dodge before New York Chapter, American Statistical Association, New York City, Dec. 12, 1946.

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## Economic Outlook for 1947

By DR. LEWIS H. HANEY\*  
Professor of Economics, New York University

Dr. Haney considers current arguments for severe 1947 recession as invalid. Because of existing vast currency inflation, and impending increase in loan and deposit turnover, 1947 readjustment will occur mainly through "upping" the low price and output items. Anticipates rise in national income with larger share for investors; expansion of production of both hard and soft goods; and growth of inventories. Holds we are not at peak of cycle; but only a little above "normal."

My forecast for 1947 is that early in the year there will be irregularity, attending mixed upward and downward readjustments. Then, assuming no great strikes, we are likely to see the beginning of a sustained period of expansion, to run for something like two years thereafter.

A corrective readjustment of unbalanced conditions now goes on, with both advances and declines required.

\*Address by Dr. Haney before New York Chapter, American Statistical Association, Dec. 12, 1946.

(Continued on page 3240)

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postponed to  
the depression  
phase of  
the business  
cycle when  
all costs tend  
to be, or are,  
low?

If the proper time  
to make capital  
investments is in  
the depression  
phase of  
cycle, can it  
be assumed  
that depression  
will  
overtake the American economy  
in 1947? If it should do so, can  
it be assumed that the cost of the  
necessary capital assets to  
replace existing obsolete, worn-out  
equipment, some of which is ad-  
mittedly in the "bale-wire" stage,  
will be sufficiently lower to jus-  
tify postponement of investment?

If a depression of major pro-  
portions is not likely in 1947,  
when can one be anticipated?

In his Presidential address,



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## Should Obsolete Equipment Be Replaced Now?

By ROY L. GARIS  
Professor of Economics, University of Southern California

Economist, in discussing the question of whether new capital equipment should be acquired: (1) when business is prosperous and prices are high, or (2) in times of depression when costs of equipment are reduced, argues that it is more economical to follow first course, because: (1) new machinery has greater marginal productivity; (2) it gives purchaser a larger depreciation deduction in tax assessment; and (3) it reduces maintenance costs and increases efficiency of worker. Contends prices of capital goods will not decline substantially and there will be from five to eight years of prosperity.

Recently the author of this study was asked by a large corporation on the Pacific Coast whether capital assets should be purchased now when all costs including taxes, are high, or should the purchase of capital investments be postponed until all costs are low. Do American business organizations tend to purchase their equipment in times of business prosperity, when costs are high? If so, why? Or should such purchases be



Roy L. Garis

"The Conditions of Expansion," delivered at the 54th Annual Meeting of the American Economic Association, Professor S. H. Slusher, of Harvard University, pointed out that "the course of events does not always correspond to the theoretical models." He emphasized that "In the postwar world, the propensity to consume will be higher than in the twenties" and that the marginal efficiency of capital will tend to be less. His searching analysis of the (Continued on page 3234)

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## The World Bank—Its Aims and Importance

By EUGENE MEYER\*

Retiring President of International Bank for Reconstruction and Development

First President of World Bank outlines its organization and objectives and describes its progress up to present. Stresses Bank is to be guided by economic and not political considerations and that it will not replace private foreign investment. Points out security back of proposed debentures of the Bank and maintains operation of Bank will be along strictly conservative lines. Says as creditor nation we should engage in foreign investments and that one of principal functions of Bank is to promote private foreign investment. Holds Bank will be instrument for developing more prosperous world.

When the Life Insurance Association of America invited me to address your annual meeting, it was a privilege as well as a pleasure



Eugene Meyer

mination of policies and procedures and the expansion of staff. It has been a privilege and a satisfaction to be associated with the Bank during its initial period and I shall leave it with regret.

The insurance companies of the nation are an important factor in its social security. Under the supervision of the state authorities, you invest the funds for which you are trustees. Your first duty is to your policyholders and your first consideration must be the safety of your capital and income. But you also have a social responsibility to promote the public interest whenever you can do so without jeopardizing the security of your investments. Surely, the promotion of better world conditions is a matter of real importance to those you represent.

A year and a half ago, we and our Allies concluded a second world war and turned to the construction of the peace. We approached that difficult task soberly, determined to pursue it untiringly and patiently. Certainly, we did not expect the achievement of peace to be an easy task.

Our generation has had broad experience in searching for conditions which will permit peace to exist. No one would be rash enough to believe that we know the complete answer. But we do know that the building of a stable society upon the weakened foundations which a war leaves in its wake must necessarily be a painstaking, continuous and flexible process.

### Idea of International Bank

Long before the Bretton Woods Conference in 1944, members of the United Nations began to prepare for the establishment of an

(Continued on page 3228)

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## The Guaranteed Annual Wage

By IRA MOSHER\*

Chairman, National Association of Manufacturers

Asserting principal reason for strained industrial relations is craving of workers for security, NAM spokesman says guaranteed annual wage has become an open issue. Holds employment regularity and stabilization is better form of workers security and that NAM is working out program which will benefit public as well as worker and employer. Urges employers and manufacturers to cooperate, and points out advantages of regularized employment. Insists plan is essential to maintain leadership of management, but admits its practical difficulties.

Even in his days of blackest despair, man has always managed to keep his chin up high enough to look ahead. Since the beginning of time he has looked ahead and gone ahead, step by step. Sometimes his progress has been slow, but war nor pestilence, famine nor flood ever stopped him dead. They never will, as long as there is a tomorrow.



Ira Mosher

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## Industrial Share Prices in 1947

By FRANK P. BRECKINRIDGE

Investment adviser cites bearish business factor of unbalanced inventory situation, and resultant injury to corporate cash position and profits; and stresses rigid costs. Hence he concludes Dow-Jones industrial share price will decline about 20% from current level before resumption of real upward trend.

It is my best judgment that industrial stock market prices over the next six months will go lower; the Dow-Jones industrial average, now around 170, will likely slide to around 140 before there is any real resumption of an upward trend. (No one can predict amounts of figures exactly—these indicate only the general size and direction of the movement.)

An intervening rally might be sharp and strong, but will not last longer than a brief period because the weight of economic forces are such that they will over-balance any short run optimism which may force prices up temporarily. Behind this conclusion is the general premise that stock prices depend upon profit expectations of corporations; and that because manufacturers' prime costs are high and rigid and inventories remain unbalanced, profit expectations are poor.

## Profits the Crux

Optimism or pessimism among business men is determined mainly by the expectation of high or low profits six or twelve months or more in the future. Business men—not politicians as in 1937—will determine whether or not we (Continued on page 3231)

## Regulation Rapprochement

SEC elasticity a response to insistence of the public. Clamor for erasure of other than government by law now well recognized. Maloney Act a blot upon national escutcheon. NASD an invasion of our American way of life, an imposed institution in the nature of OPA which places ceilings upon spreads when government is lifting other ceilings. Should be abolished.

Spokesmen for the Securities and Exchange Commission have been indicating an elastic interpretation of the acts which it administers in order, as we believe, to influence the public at large and the securities field in particular, that henceforth, a rule of reason will be applied by this regulatory body.

## What is behind it all?

As we see it, these antics are embraced in the adage "as the elections go, so goes the Supreme Court."

As the elections go, so also goes the Securities and Exchange Commission.

The mandate of the people last November has been definitely appraised as one directing a return to our American way of life, our democratic form of government, and to the removal of regulatory restraints inconsistent with that policy.

Recognizing this picture, our government as presently constituted, has "jumped the gun" and removed price ceilings generally besides erasing other restrictions.

As a recognition of the will of the people, this conduct is to the good although belated.

(Continued on page 3248)

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## Export-Import Bank and Repayment Problem

By WILLIAM McC. MARTIN, JR.\*  
Chairman, Export-Import Bank

Mr. Martin, in analyzing repayment problems in connection with loans made by Export-Import Bank, stresses importance of creating an import surplus for this country. Says we have choice of providing dollar loans and indefinitely postponing repayment or of encouraging increased flow of imports to enable foreign nations to both service and repay loans. Foresees a normal import surplus for U. S. and advocates tariff reductions for this purpose. Contends repayment problem lies in expansion of this country's foreign trade, which, although small in percentage, means difference between prosperity and depression.

Because of our experience with lend-lease during the war, American business is more conscious than it has ever been before of the importance of foreign trade.

Unfortunately, however, foreign trade in time of war is largely artificial and bears little, if any, relation to the normal interchange of goods and services between nations. Likewise, we are hiding our heads in the sand if we do not recognize that foreign trade in the current postwar period is distinctly abnormal and must be appraised as such.

At the beginning of World War II, the United States was only moderately active in world trade

Wm. McC. Martin, Jr.

\*An address by Mr. Martin before the Buffalo Chamber of Commerce, Buffalo, N. Y., Dec. 11, 1946.

(Continued on page 3225)

## The Institutional Investor In the Dynamic Century

By DONALD B. WOODWARD\*

Second Vice-President, Mutual Life Insurance Co. of N. Y.

Insurance executive points out security analysis as being confined mainly to present and short-term outlook and that technique for long-term investment analysis is lacking. Compares technique of life insurance companies in computing risks with that of investment technique in a dynamic environment, and lays down as among investment management essentials: (1) contemplation of rapid and continuous change; (2) an enlargement of scope of security analysis; (3) new standards, and (4) placing greater emphasis upon quality and competence of the management of concerns in which investments are made.

The most striking feature of investment is the time span. Borrowers and lenders alike enter into contracts which commit them for decades

and even centuries into the future; buyers and sellers of equities make arrangements presumably endless. The long commitment may be explicit, as in the Great Northern and Southern Pacific issues this year, which stretched over

half a century into the future. The long commitment may merely be implicit, as in the case of Treasury bills and certificates where the specific pieces of paper will shortly be extinguished, but others will rise Phoenix-like from their ashes. Or the length may be indefinite, as in perpetual bonds,

\*A talk by Mr. Woodward to the 1946 Banking Forum, Philadelphia Chapter, American Institute of Banking, Philadelphia, Pa., Dec. 10, 1946.

(Continued on page 3226)

1 "The Gates of Aulis."  
2 "The Search for Financial Security."

## Observations . . .

By A. WILFRED MAY

### Deeds—Not Bricks and Mortar—Required by UN

Just before the first meeting of the General Assembly in the United States staggered to its conclusion in the wee hours before dawn last Monday morning, the UN got under the wire in choosing its permanent home. Without belittling its achievement in ending the squabbling over physical location it should be appreciated that acquisition of the New York City site—composed of the choice 16.8-acre area bounded by 42nd and 48th Streets, and First Avenue and the East River—imposes vast new responsibilities on the World Organization.

During the coming five-year interim until it can move into its new quarters, UN must build a record of achievement greater than would have been necessary were the physical "plant" to be located in some suburban area or even in some lesser city. For with the World Capital in the heart of Manhattan, any eventual white-elephant will be tremendously accentuated. In its prospective location not only would failure be highlighted visually by the sky-scraping buildings, but also emotionally by pressure from isolationist elements and other skeptics who would further press complaints over the necessary sacrifices, such as tax-exemption, born by the local citizenry.

**Current Progress Not Correlated With Physical Plant**

In any event, let us objectively consider and appraise the outlook, as warranted by the records just made by the Assembly and by the Council of Foreign Ministers. Very relevant indeed to the aforementioned "housing" question, and perhaps highly significant, is it that the more concrete current achievements were accomplished, not in Flushing's \$3 million plant nor in acres of beautiful skyscrapers, but in a single relatively simple and small suite of rooms in the Waldorf Hotel.

### "Operating Statement and Balance Sheet" of the General Assembly

Primarily it must be realized that the last-minute desperate rush of weary delegates (like legislators) to bring the session to a pre-

(Continued on page 3262)

## Washington and You

(As interpreted by some of those behind the scene in the Nation's Capital)

Imminent 25% wage-boosts between the heavyweights of industry and labor will find the Administration in a neutral corner. The White House won't repeat last year's political mistake of urging General Motors and Big Steel to be bound by fact-finding boards. Nor will the CIO get Presidential help or hindrance. Best bet right now is that the unions and industrial bosses will slug it out. But the labor boys will find their rough

and tumble style cramped by the new set of rules Congress is about to write.

Government steersmen are confident there will be no big strikes while Congress fashions strike curbs. They foresee canny education programs, with both sides bidding for public approbation.

Closed shop probably will not be outlawed completely. Better guess is that Congress will erect safeguards about the right of the individual to work.

Wholesalers are eliminated by a new system of purchasing for ship service stores now being shaped by the Navy Department. The admirals are moulding a central banking and auditing system in New York City, after completion will buy all supplies for service stores direct from manufacturers. Savings to the Navy are estimated at 3 to 5%. But wholesalers argue this small end doesn't justify the means, are organizing

to fight the bypass. They lament that if carried to its logical extreme, the innovation would destroy a large segment of American economy.

That barber shop, harmony, featuring Republican and Democratic voices since election, is going sour. By the time Congress convenes, it will be completely off key. Bi-partisan harmony is something to pledge and be pontifical about but not to expect. So don't be duped into picturing the President and Capitol Hill Republicans maintaining their honeymoon manners much longer. Recrimination will soon be claiming the headlines.

In the coming Congress both Republicans and Democrats will be jockeying for advantageous positions in the 1948 elections. No harmony will mark tax, budget-balancing, tariff and labor legislation. Political opponents

(Continued on page 3255)

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Partnership Changes

Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange, and other leading Exchanges, will on January 1 admit Graham D. Mattison, Walter E. Conway, and Walter C. Winter to general partnership, and Richard B. Dominick to limited partnership in the firm. On the same date, Gayer G. Dominick, William C. Beach, and Edward K. Davis, general partners, will become limited partners.

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Herzfeld & Stern  
Employees Vote 39-14  
In Favor of CIO Union

The United Office and Professional Workers of America, CIO, last Friday won a State Labor Board election conducted among the employees of all classifications at Herzfeld & Stern, stock and bond brokers, of 30 Broad Street, 39-14, and negotiations are scheduled to commence soon looking toward a 40% increase in pay.

The union committee negotiating a contract with the East Brooklyn Savings Bank said that yesterday the bank had agreed, among other things, to a \$10 a week raise for employees earning up to \$50 a week, a 20% raise for those earning more than \$50 a week, and a \$35 minimum hiring salary.

## Hopkins, Harbach Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Arthur J. Burns and John W. Mears have been added to the staff of Hopkins, Harbach & Co., 609 South Grand Avenue.

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## Surveying the Post-Election Scene

By EMIL SCHRAM\*

President, The New York Stock Exchange

Mr. Schram sees danger in sharp turn to right going too far as after World War I, and cautions desirable reforms should be retained. Says government regulation of business is here to stay and that securities regulation will continue, but criticizes Federal Reserve Board for destroying loan value of listed securities. Urges more self regulation in both security and commodity marketing, and points out agricultural price parity guarantees may destroy foreign markets for our products. Contends system of price regimentation puts farmer on defensive just as labor union favoritism is put on defensive. Warns rising prices threaten our prosperity.

No one can survey the national scene without knowing that there is a sharp turn to the right in political and economic thinking. After depression, re-

form and war, the people of the United States, in every walk of life, are in revolt against regulation and regimentation.

I think it was Mr. Dooley who said that even the Supreme Court follows the election returns. Certainly anyone who has had occasion to go to Washington on business in recent weeks has found that many people there have changed their attitude since Nov. 5. The whole climate of Washington already is "different." Not only elected officials, but also appointed ones and even those in the Civil Service — defeated Democrats as well as victorious Republicans — are proceeding to heed the mandate at

\*Part of address of Mr. Schram at the annual dinner of the Houston Chamber of Commerce, Houston, Texas, Dec. 17, 1946.

(Continued on page 3245)

## Full Employment Act and The Economic Future

By EDWIN G. NOURSE\*

Chairman, Council of Economic Advisers

Head of new Federal Agency asserts Employment Act of 1946 does not propose simple panacea or trick remedy for business ills. Holds money manipulation to maintain employment is not intended and that statute is merely a broad enabling act for systematic study of the nation's business. Compares work of Council with corporation top management planning and coordination, and points out Congress declared in Act that it is government's continuing policy and responsibility to maintain high production. Says law supplements and aids private business and assures it a more favorable environment. Warns business against its own restrictive controls.

The time at my disposal is quite brief. Fortunately, what I have to say can be boiled down to three rather simple points. But these

are in my judgment absolutely essential if you, as representative of American business, are to have a correct understanding of the nature and meaning of the Employment Act of 1946 and are to take full advantage of it for the future benefit of American industry. Dr. Edwin G. Nourse

## Managerial Sense, Not Monetary Manipulation

The first point I want to make about this act is that it does not

\*An address by Dr. Nourse before 51st Congress of Industry conducted by the National Association of Manufacturers, New York City, Dec. 6, 1946.

propose any simple panacea for business ills. It offers no trick remedy which the Council of Economic Advisers is supposed to work out by a formula and put in the hands of the Chief Executive for his administrative application. During the process of legislative consideration and redrafting, the Congress definitely turned its back upon any single type of remedy and specifically upon money magic as a means of getting out of the artificial conditions of wartime business on to a sustained basis of efficient and prosperous peacetime operation. It recognized clearly that the nation's business is a tremendously complicated process, in whose direction many agencies, public and private, have essential parts. It

recognized, too, that each of these agencies must have a great deal of individual independence to adapt its operations flexibly to changing conditions and particular needs. At the same time the Congress recognized that, if this loose- (Continued on page 3232)

## The British Token Import Plan

By JOHN C. BORTON  
Director, Commodities Branch  
Office of International Trade, Department of Commerce

Commerce Department official describes arrangement whereby British Government permits American manufacturers to export to Britain certain commodities up to 20% of the average amount of such products in the three years prior to war. Says number of commodities have been expanding and plan is only part of over-all effort of Office of International Trade to re-establish normal commercial relations in all areas.

Millions of dollars in trade opportunities have been opened for international traders with the establishment of the British Token Import Plan through an agreement arranged by the Office of International Trade, Department of Commerce, with the British Board of Trade. Shortly after the termination of the war the OIT, recognizing the importance of quickly reestablishing trade channels with the United Kingdom, especially of branded trade goods, worked out the plan in cooperation with British officials on a basis which will permit traders to export 20% of their



John C. Borton

average annual prewar exports for certain base years.

The Office of International Trade anticipates that when U. S. traders fully understand the details of the agreement, they will increasingly seek to take advantage of this opportunity to make their products available to British consumers. One trader who quickly realized the value of this reopened trade commented: "The British Token Import Plan means the very existence of my company." He estimated that potential profits to his business would eventually exceed \$500,000.

The British Token Import Plan permits the reopening of established trade connections in the United Kingdom. The Plan has been extended, so far, to cover 117 products which range from garments

(Continued on page 3238)

## The Enslavement of Labor

By MATTHEW WOLL\*  
Vice-President, American Federation of Labor

Prominent labor leader attacks Russian communism as enslavement of labor for benefit of self-appointed minority of bureaucrats, and cites examples of building "war centers" by forced labor. Points out totalitarian state is complete antithesis of Christian democracy and accuses communists of instigating a state of terror here "under guise of abolishing tyranny of private capitalist property." Pledges AFL to support of democracy and lays distressing failure of world peace to absence of International Bill of Rights.

It is now approximately 50 years since the great Papal Encyclical was presented to the world by Pope Leo XIII on the subject of capital and labor.

This Pronouncement made clear that labor must never be regarded as a mere chattel or article of commerce, but that the human worth and dignity of the laborer himself must always be borne in mind and his vital interest safeguarded. At the same time, the rights of property and of individual initiative are not overlooked.

Despite the time which has intervened, the profound wisdom of the observations of the Holy Father continue to provide a significant frame for the discussion of current problems.

At no time in the lives of any of us have problems confronting both Church and Labor been more perplexing and the ways strewn with more hidden pitfalls than at present. The long years of struggle in the Old World that followed the first World War, and now the Second World War, with their ever-present sense of insecurity, have undermined the courage and initiative of altogether too many of the peoples of the world.

There can be no greater disaster to any nation than for the people to lose confidence in themselves.



Matthew Woll

This is the great danger that confronts the people of the world today. It is then that false prophets arise and the heyday of the

(Continued on page 3230)

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\* An address of Mr. Woll before Knights of Columbus Forum, Brooklyn, N. Y., Dec. 3, 1946.

## Harold Smith Resigns As V.-P. of World Bank

(Special to the "Chronicle")

WASHINGTON, Dec. 18.—The World Bank Executive Directors today announced the resignation of Harold D. Smith, Vice-President. An official explained that Mr. Smith wanted to give the next president of the institution a free hand in the selection of his immediate assistants.

Whether Mr. Smith, if requested by the incoming President, would remain is not known.

It will be recalled that when he took his present post at the World Bank, he was quoted in the press as stating in effect that the salary was too good to pass up.

Sources in an excellent position to know indicate, however, that Mr. Smith has other things in mind and will not remain with the World Bank after a new president takes over. Smith assumed the Vice-Presidency at Meyer's request and his resignation is linked with Meyer's resignation. It is understood that Mr. Smith intended to offer his resignation earlier, but that Mr. Meyers urged him to postpone insistence on its acceptance until now.

### Henry Oltman Dead

Henry Herbert Oltman, member of the New York Stock Exchange, died at the age of 74 after a brief illness. Mr. Oltman had been a member of the Exchange since April 12, 1900, succeeding to the seat held by his father John B. Oltman, who died on Feb. 15, 1900. In 1934 he became a partner in the firm of Chisholm and Chapman and when this firm was merged with Francis I. du Pont & Co., he became a member of the latter. He resigned from the du Pont company in 1942 but kept his seat on the Exchange.

\* An address by Mr. Berge before Chicago Chapter, New Council of American Business, Chicago, Ill., Dec. 11, 1946.

have not been presented with sufficient directness and clarity. They have often been confused with politics and with emotion.

Now is the time to present to the American people a graphic and effective picture of two facts: First, that the concentration of economic power in this country is increasing above any previous crest of monopoly in our history; second, that the decrease of independent business will continue unless the causes of concentration are removed and the power of monopoly is broken. As it stands at the present moment, the American people do not have control of their economic destiny and as time goes on they may lose their freedom of opportunity, if the trend to concentration is not checked. The people's reaction to these facts will determine the path we are to take—whether we shall go the way of monopoly towards scarcity, poverty, and the loss of democratic political institutions, or whether we shall secure for ourselves and for future generations genuine economic freedom. The time has come when decision must be made.

### Monopoly Problem More Serious

The monopoly problem is today more serious than at any time since the passage of the Sherman Act. If monopoly power follows its traditional course, we can expect higher prices, limitations on

(Continued on page 3250)

## Threat to Independent Business

By WENDELL BERGE\*

Assistant Attorney General of the United States

Asserting people are not aroused to dangers threatening freedom of economic opportunity, antitrust enforcement official contends concentration of economic power is greatest in our history, and unless removed, independent business will decrease. Cites as monopoly gains during war the reduction of small businesses, and government restrictions on competition. Says Dept. of Justice aims to restore free competition but is handicapped by small appropriations. This, he characterizes as "false economy." Attacks mergers and consolidations as influenced by profit incentives of investment bankers and other financial interests.

I begin tonight by asking the blunt question: Do the American people really want the antitrust laws enforced? Do they care enough



Wendell Berge

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## Public Utility Securities

### American Light and Traction

American Light & Traction is a sub-holding company in the United Light & Railways system, controlling about 40% of system assets. Its subsidiaries are principally in the gas business, with a relatively small proportion of electric and miscellaneous sales. Natural gas is obtained from southern fields by purchase from Panhandle Eastern Pipe Line, and manufactured gas is distributed in Milwaukee. The principal subsidiary is Michigan Consolidated Gas Co. servicing the Detroit area; others are Milwaukee Gas Light, Madison Gas & Electric, Milwaukee Solvay Coke and a new company, Michigan-Wisconsin Pipe Line Co.

Michigan Consolidated Gas recently announced in full page advertisements that the Federal Power Commission has granted authority to Michigan-Wisconsin Pipe Line to construct a natural gas pipe line from Texas to Michigan and Wisconsin. Customers in the Detroit district, according to the advertisement, will have available, on completion of the pipe line by 1949, some three times the amount of gas that was available in 1945. In the interim, Michigan Consolidated Gas will spend \$2,000,000 to enlarge its stand-by manufacturing plant and to build a new liquid petroleum plant. Construction of the pipe line will be rushed to completion as fast as materials can be secured, after financing plans have been approved by regulatory authorities, including the SEC.

The question of building a pipe line has been before the FPC and SEC for some time, and it seems probable that the recent coal strike (which resulted in leasing of the Big Inch and Little Inch lines to Tennessee Gas) may have had something to do with expediting the FPC decision by a three-to-two vote. Whether the SEC will also prove amenable remains uncertain. American Light & Traction has been slated for dissolution for some time past, and the commission has appeared rather reluctant to approve the pipe-line financing because of the approaching dissolution of the top company. However, formation of the new pipe-line company provides a vehicle for financing the new line.

Doubtless the new company will, in due course, finance the estimated \$84,000,000 cost of the project by raising a substantial amount of funds by the sale of bonds and preferred stock. It appears likely, however, that common stock will be held within the system and that American Light & Traction may use its cash assets

to provide the required equity money. At the end of 1945 the top company had over \$9,000,000 net current assets (the consolidated balance sheet showed over \$22,000,000). Current assets were, of course, largely in cash and government bonds. The company owns a block of 1,289,200 shares of Detroit Edison (about one-fifth of that company's stock) which at the recent price levels would be worth an estimated \$30,000,000 after allowance for sales "shrinkage." Hence, the parent company might have about \$39,000,000 available cash after sale of the Edison stock. However, it would have to provide for retiring its own non-callable preferred stock.

This step has also posed a problem over the last year or so, and has been debated at considerable length in SEC hearings and staff findings. While the stock is non-callable it is theoretically redeemable at par in liquidation; but since dissolution will be involuntary (due to the SEC "death sentence") the issue as to whether stockholders are entitled to a premium must be settled by the SEC and the courts. Allied Chemical, a large holder of the preferred, some time ago suggested that stockholders were entitled to \$40 a share instead of \$25, on the ground that in a free investment market the stock would sell on about a 3 3/4% basis. The SEC staff recommended a compromise figure of 33, but this has not been ratified by the commission itself, which is still pondering the question.

To retire the preferred at par would require \$13,400,000, at 33 \$17,700,000 and at 40 \$21,400,000. This would leave about \$18 to \$26 million to invest in the pipeline company.

Judging from the history of other pipe-line ventures such as Panhandle Eastern and Tennessee Gas, the new company should prove successful, since it will enjoy an assured market. The FTC in the past has usually allowed about 6-6 1/2% to be earned on investment although with the pres-

ent downward trend in rates a range of 5 1/2-6 1/2% seems logical. Assuming that the pipe-line enterprise is financed 50% by 3% bonds, 25% by 4% preferred stock, and 25% by equity money, the return on the latter might work out at 12-16%; to allow for contingencies these figures might be reduced to 10-15%. How much can American Light & Traction earn (per share on its own common stock) from the new investment? On the basis of our assumptions as above, the figure would appear to lie within the range of 65¢-\$1.40. The latest interim earnings were \$1.60; deducting dividend income from Detroit Edison and crediting the preferred dividend (since the preferred is being retired) would adjust the figure to \$1.33. Addition of the estimated pipe-line earnings would raise the figure to around \$2-\$2.75. This estimate does not adjust for possible savings in parent company overhead, possible increases in subsidiary taxes when reported on an individual company basis, or similar refinements.

### Louis S. Colwell Dead

Louis S. Colwell, Montreal stock-broker, died after a long illness, at the age of 73. Mr. Colwell was graduated from Syracuse University and later was a financial reporter for The Syracuse Evening Herald. In 1902 he moved to Montreal and subsequently was connected with several financial houses there, most recently with A. M. Kidder & Co.

### Hartman, Smith & Mann Forming in New York City

Hartman, Smith & Mann, Inc., is being formed with offices at 19 Rector Street, New York City, to engage in a securities business. Officers are Herbert D. Smith, President and Treasurer, and Thomas W. Mann, Vice-President and Secretary. Mr. Smith was previously associated with Gamwell & Co. Mr. Mann was with Hageman Corporation.

### George E. Brown Dead

George Estabrook Brown, member of the New York Stock Exchange, and formerly a general partner in Jenks, Kirkland & Co., died at his home after six months of failing health. He was 54 years of age.

### Raymond A. Kupfer Opens

DETROIT, MICH.—Raymond A. Kupfer is engaging in a securities business from offices at 13750 Dexter. He was formerly with Straus & Blosser and Crouse & Co.

## Monetary Fund Announces Initial Par Values of Member Currencies

M. Gutt, in press conference, issues detailed explanatory statement, citing unprecedented features of Fund's operations beginning March 1. Denying that Fund has disagreed with proposals of any member, he states that initial par values are in all cases those proposed by them, and based on existing exchange rates.

(Special to the "Chronicle")

WASHINGTON, Dec. 18.—In a long-awaited announcement the International Monetary Fund today published the list of initial par



Camille Gutt

mination of their par values for a period, which is not defined in the Articles of Agreement. The nine countries mentioned above as having postponed decision on this question include six war victims: China, Greece, Poland, Yugoslavia, French Indo-China and the Netherland Indies. Other once-enemy-occupied countries like Denmark, Holland, Belgium, Luxembourg and Norway are not on this list of exceptions.

### Delay by Latin-American Countries

On the other hand, three Latin-American countries are among those missing from the list of parities announced today. These are Brazil, Uruguay and the Do- (Continued on page 3262)

## The American Plan for German Bank Reform

By HERBERT M. BRATTER

Pointing out present excess of currency and deposits, which are backed merely by defaulted debt of defunct Nazi Government, correspondent presents outline of bank reform plans proposed by U. S. Military Government. He includes critical comments of Reichsbank official.

From the financial standpoint, military government in Germany is a receivership for a bankrupt nation. The direct debt of the

defunct central Nazi government, now naturally in complete default, totals some 400 billion Reichsmarks. All but a minor fraction of this debt is held by banks and financial institutions. The Nazis used the "silent" system of financing the war. There were no war bond campaigns or national effort to sell to individuals. The financial institutions were the buyers. The inflationary effects of the war may be seen by a comparison with the Reich debt in 1935, 15 billion Reichsmarks. During the same span of years the currency in circulation mounted from 5 billions in 1935 to about 60 billions this year, while net bank deposits increased from 30 billions to 150 billions.

The problem today is not merely one of an increased supply of instruments of purchasing power, but also of substantially reduced supply and production of goods and services to be bought therewith. From 1936 to date the national income of the four-zonal area of Germany declined from some 70 billion RM to perhaps 25 or 30 billions. In view of the four-power level-of-industry plan for Germany, the national income may not exceed 50 billion RM by 1950. The disparity between actual and potential production on the one hand and debt, deposits and currency on the other is extreme. Germany has all the war-inflation elements apparent in the U. S., without the production capacity to put real values back of its inflated debt.

Germany's national wealth, that is the legal market value of real assets in the country, has declined from about 400 billion RM in 1938 to about 225 billions now. War damage to property is estimated to aggregate at least 175 billions, not counting the cost of reparations, which is very substantial. In Berlin alone, it is estimated repair of war damage will (Continued on page 3254)

### Trading Markets in Common Stocks

\*Bates Manufacturing Co.      Liberty Aircraft Products  
Bausch & Lomb Optical Co.      Rockwell Manufacturing Co.  
\*Crowell-Collier      \*Tennessee Gas & Transmission  
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News dispatches from Germany this month have reported the adoption of American banking proposals in the three Laender of the U. S. zone. This article was prepared by Mr. Bratter during a recent visit to Germany.—Editor.

## Essentials of British Export Policy

By SIR STAFFORD CRIPPS\*

President of Board of Trade of Great Britain

High ranking British trade official acknowledges increase in British exports will not solve balance of payments problems unless fully manufactured goods are exported and unless Great Britain can obtain the kind of exchange required to meet foreign commitments. Says only 14% of British exports go to U. S. and Canada, from which 50% of imports come, and loans from these countries are rapidly being exhausted. Defends exports at expense of home consumption on ground Britain is now debtor nation, and urges export of luxury items directed to nations whose exchange is required. Sees need of greater home production.

It is perhaps hardly necessary for me in speaking to an audience of intelligent industrialists to recapitulate the very obvious arguments in favor of a vigorous export policy for this country today, but I believe it will enable me the more easily to emphasize the points I particularly want to bring out if you will allow me shortly to lay before you the whole story.

Sir Stafford Cripps



The attitude of the government and the nation in this matter is, of course, bound to be somewhat different to that of the individual manufacturer. He is primarily concerned with running his business at a reasonable profit and expanding wherever he sees the opportunity of more profit.

The government, on the other hand, are concerned primarily with the national balance sheet and not with the profitability of individual manufacturing concerns, and that is why it may sometimes seem to the individual that action by the government is not consistent with his particular interest in the matter of exports. Indeed the compulsions placed upon the government by the wider considerations must of necessity be contrary at times to the desires of individual producers. That is why I welcome this opportunity to put before you the overall picture as we in the government see it today.

Exports have no national purpose or virtue except in so far as they make possible the acquisition of the foreign exchange which is necessary to enable us to maintain the flow of imports essential for the standard of life that we aim at achieving.

Those imports can be placed in three broad categories. The food-stuffs, raw materials and consumer goods that we require for our own home consumption; the raw materials we require for our exports; and the capital goods we need to equip our industries at home and to export for use in other countries.

### Export Fully Manufactured Goods

It will be obvious that the more we export the greater will be the need for imports of raw materials

\*An address by Sir Stafford at the Federation of British Industries' Export Conference, Westminster, Eng., Nov. 27, 1946.

### Revokes Suspension

The suspension imposed Nov. 15 on M. S. Wien & Co., effective Dec. 16, has been revoked by the Securities and Exchange Commission. The Commission said it had acted after being assured that Joseph J. Lann is no longer with the brokerage firm. The registration was revoked for 30 days "without prejudice" and the company was allowed to reapply after it complied with the SEC order.

under the second category. That points to the first principle that we should adopt in our export policy. In general we should export fully manufactured goods in preference to partly manufactured goods, and we should prefer as exports those goods in which the raw material values are as low as possible compared to the value of work done on that raw material. In other words, the more brains and craftsmanship we can export the better for our balance of payment position and thus the higher our standard of living.

The first major question is how much do we need to export? At the present moment we are importing rather more than 70% of what we were importing before the war. With our existing level of exports round about 110% by volume of pre-war exports, we are still well down on our balance of payments. Without going into a long explanation or calculation, I may repeat the target figure of 175% of pre-war exports in volume as that necessary under post-war circumstances to maintain the equivalent of our home-retained pre-war imports. This is on the assumption that any increases of price roughly balance out overall between imports and exports. This would give us roughly the same overall standard of living as pre-war, though the division of that standard as between different sections of the population will not be the same as pre-war, and therefore the

(Continued on page 3239)

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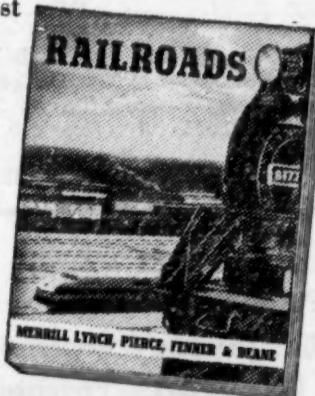
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## Amer. Officials Plead For Support of New Trade Agreements

ITO charter not expected to cause Congressional trouble, but duty reduction plans are exciting opposition.

(Special to the "Chronicle")

WASHINGTON, Dec. 17.—Under State Department auspices Tuesday, representatives of various trade associations and pres-

sure groups today heard Clair Wilcox, who had just returned to Washington from London, where he headed the American Delegation to the Preparatory Committee for an ITO, explains the work of that international gathering and plead for sup-

port. At the same meeting Winthrop G. Brown told about the preparations being made for trade agreement negotiations in coming months, looking toward lowering of tariffs and removal of quantitative restrictions.

Officials expect no difficulty in Congress over the charter for an ITO which won't come before the National Legislature before 1948. But opposition to proposed duty reductions and criticism of exceptions to abolition of quantitative trade restrictions and exchange controls is expected in 1947.

Tuesday's meeting with private groups follows the pattern set by the State Department during the campaign for the Bretton Woods program and the UK loan. It is a sign that the Administration at least was earnest when it advanced its trade proposals at London this Fall.

### Jerome Melniker Admits

Samuel M. Pearson will become a partner in Jerome Melniker & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on January 1.

## A Wage Policy for 1947 Prepared For CIO

An analysis prepared for the Congress of Industrial Organizations by Robert R. Nathan Associates, Inc., stresses the need of wage increases for the benefit of workers and the whole economy and contends that an increase of 23% in wage rates is required to bring real weekly earnings back to January 1945 level.

The following is the text of "National Wage Policy for 1947," prepared for the Congress of Industrial Organizations under the authorship of Robert R. Nathan and Oscar Gass by the Robert R. Nathan Associates, Inc., Washington, D. C.:

1. Recent economic tendencies have brought uncertainty and instability, widespread fear of business losses, and the prospect of a sharp decline in employment sometime during 1947.



Clair Wilcox

we had such a combination of good business and bad psychology. The severe break in the stock market which has reduced the value of the securities listed on the New York Stock Exchange by about \$19 billion, or nearly one-fourth, is only one manifestation of the underlying uncertainty.

Despite the record level of current profits, the more far-sighted members of the business community sense something unsound in the situation. Probably it is the very high level of profits and the realization that they cannot long persist which is at the base of this pessimism. Even the diehards and ultra-conservatives in business and financial circles are uneasy and reflect this uneasiness in their references to the present so-called "profitless prosperity." It is sheer nonsense to speak of "profitless prosperity" or "spotty profits" in the face of the current returns of business. True, profits vary considerably from industry to industry—and among firms in a single industry—but there are few exceptions to the generaliza-

(Continued on page 3246)



Robert R. Nathan

Prosperity far beyond anything ever achieved previously in peacetime seems to be prevalent today. In terms of the number of workers on the job, the volume of goods and services being produced, retail sales and the level of consumption, exports and imports, and other measures of economic activity, we are in the midst of unparalleled peacetime prosperity.

Yet there is a growing underlying sense of uncertainty and even of insecurity. Seldom have

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## Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

**Analysis**—Service to dealers—R. W. Pressprich & Co., 68 William Street, New York 5, N. Y.

**Automotive Industry**—Summary and evaluation in *Fortnightly Market and Business Survey*—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

**Guide to the Perplexed**—a challenge to the barrage of pessimistic statements—bulletin with a list of suggested stocks for income and capital appreciation—Strauss Bros., 32 Broadway, New York 4, N. Y.

**Handbook of Public Revenue Bonds**—Covers 33 major projects having nearly \$500 billions in bonds outstanding—in loose-leaf form, with supplements planned for principal new projects and major refunding operations—Tripp & Co., Inc., 40 Wall Street, New York 5, N. Y.

**Investment Opportunities in the Gas Industry**—Study—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

**Petroleum Industry's Outlook for 1947**—Study—Delafield & Delafield, 14 Wall Street, New York 5, N. Y.

**Pipe Line Wholesalers**—Report—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

**Public Utility Holding Companies**—Current developments—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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**Railroads**—Factual assessment of the problems facing the industry—Address Department F-2, Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

**Silver Picture**—Memorandum on the current situation—Bache & Co., 36 Wall Street, New York 6, N. Y.

**Transactions in Marketable Securities of the United States Government**—Circular containing information and instructions relative to transactions with the Federal Reserve Bank—Federal Reserve Bank of New York, 33 Liberty Street, New York City.

**Abbott Laboratories**—Memorandum—Penington, Colket & Co., 70 Pine Street, New York 5, N. Y.

Also available is an analysis of **Burdine's Inc.; Heyden Chemical Corp.; and Sun Chemical Company**.

**Admiral Corporation**—Brief memorandum—Dempsey & Company, 135 South La Salle Street, Chicago 3, Ill.

**Allied Paper Mills**—Card memorandum—for dealers only—Moreland & Co., Penobscot Building, Detroit 26, Mich.

**Argo Oil Corporation**—Descriptive circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are circulars on **Tennessee Products and Wellman Engineering**.

**Aspinook Corporation**—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **W. L. Douglas Shoe Co.; Hartford Empire; Lanova Corp.; Mohawk Rubber; and Taylor Wharton on Iron & Steel; Barcalo; Haloid; Purolator Products; Upson Corp.; Alabama Mills; Diebold, Inc.**

**Automatic Fire Alarm**—memorandum—Mitchell & Company, 120 Broadway, New York 5, N. Y. Also available is a memorandum on **Standard Screw**.

**Bausch & Lomb**—Current developments in the current issue of **The Adams Journal**—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

**Boston & Maine Railroad**—Circular—Walter J. Connolly & Co., 24 Federal Street, Boston 10, Mass.

**Buda Co.**—Memorandum—Luckhurst & Co., Inc., 40 Exchange Place, New York 5, N. Y.

**Central Hanover Bank & Trust Company**—bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**Central Public Utility** 5½'s of '52 and **Consolidated Electric and Gas Pfd.**—Comprehensive study and analysis in brochure form—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

**Chicago North Shore & Milwaukee Railway Co.**—Brief memorandum on outlook—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

**Collins Radio Company**—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

**Consolidated Vultee Aircraft Corp.**—Study—Penington, Colket & Co., 70 Pine Street, New York 5, N. Y.

**Delaware Lackawanna & Western**—Lackawanna RR NJ Division First Mortgage "A" 4s—memorandum indicating attractive yield—in the current issue of **"Railroad and Other Quotations"**—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

**A. DePinna Co.**—memorandum—Herrick, Waddell & Co., Inc., 55 Liberty Street, New York 5, N. Y.

**Eko Products Co.**—Detailed Study—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Also available is a detailed memorandum on **National Cash Register Co.**

**Engineers Public Service**—Memorandum—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a discussion of **New Haven Possibilities**.

**Froedtert Grain & Malting Co.**—Memorandum—in **"Business and Financial Digest"**—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

**Gruen Watch Co.**—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa. Also available are memoranda on **Northern Indiana Public Service Co. and Philip Carey Manufacturing Co.**

**Gulf, Mobile & Ohio Railroad**—Analysis—R. H. Johnson & Co., 64 Wall Street, New York 5, N. Y.

**Hydraulic Press Manufacturing Co.**—Detailed Analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are analyses of **Long Bell Lumber Co.** and **Miller Manufacturing Co.**

**International Cellucotton Products Co.**—Analysis—New York Hanseatic Corporation—120 Broadway, New York 5, N. Y.

**Maryland Casualty Company**—Analysis of situation—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

**Northern Indiana Public Service Company**—Detailed study of situation—Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

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ice Co.

—study—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

**Northwest Utilities**—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**Osgood Company**—Circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

**Public National Bank & Trust Co.**—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6 N. Y.

**Public Service Company of Indiana, Inc.**—analysis—First Boston Corporation, 100 Broadway, New York 5, N. Y.

**Ralston Steel Car Co.**—Circular—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

**Rockwell Manufacturing Co.**—Analysis—Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.

**Schenley Distillers Corporation**—Brochure of articles they have been running in the Chronicle—write to **Mark Merit**, in care of **Schenley Distillers Corporation**, 350 Fifth Avenue, New York 1, N. Y.

**Showers Brothers Co.**—Analysis—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

## Decentralization of Industry

By ROGER W. BABSON

Mr. Babson sees decentralization as solution of labor and materials shortages, bottlenecks and other difficulties of industry. Holds plants in small places are rewarded by lower costs and that environment, living conditions, and morale of workers are better. Says small cities also offer attraction for management and their families.

We find ourselves today at a point where the more we expand an industry the greater become our difficulties. A small industry, if expanded, will probably run into labor supply difficulties.

ply labor demands along with reasonable access to raw materials combine to make thousands of small communities ideal factory locations.

### Lower Costs for Business

The large or small industry which locates some of its plants in small places is almost sure to be rewarded by lower costs. Such businesses as the clothing industries traditionally employ women for expert needlework. There are countless small towns whose women are willing to work. But they are often unwilling to move from their home towns or even to commute. Firms which have gone into these towns have found in many cases not only a new labor supply but new plant facilities for rent—something more than scarce in big cities today. Lower costs of upkeep and repairs have been an added inducement. Easy access to raw materials can be inviting factors. Some of the biggest packers in the country have located poultry dressing plants in the broiler areas, thus causing savings in time and trans-

(Continued on page 3212)

## ABA Calls for Abolition Of Regulation W

Carl M. Flora, Chairman of ABA Consumer Credit Committee, says terms of order restricting consumer credit work hardship on low income groups. Holds banks, by sound principles of financing consumer credits, could avoid its inflationary aspect.

Abolition of Regulation W, which the Board of Governors of the Federal Reserve System imposed on the use of consumer credit in 1941 as a war measure, was called for by the Consumer Credit Committee of the American Bankers Association at a press interview held by Carl M. Flora, Chairman of the Committee on Dec. 13.

Mr. Flora is Vice-President of the First Wisconsin National Bank in Milwaukee, Wis. The committee held a two-day meeting last week at The Drake, Chicago.

"The Consumer Credit Committee has been studying this regulation ever since it was inaugurated," Mr. Flora said, "and while we supported it during time of war and after the war, we now think it is outmoded." He pointed out that the terms imposed by this regulation on the use of consumer credit compel monthly payments on the part of buyers of such a size that many people, particularly veterans and families in the lower and middle income groups, are prevented from buying necessary things, such as automobiles, refrigerators, washing machines, and other appliances.

In a statement announcing the action of the Consumer Credit Committee, Mr. Flora said, "At its annual convention in Chicago last September, the American Bankers Association called attention to the 'unwise, unnecessary, and expensive wartime controls that add to the consumer cost of the whole nation,' and recommended that Congress give 'immediate consideration to the proper timing for the elimination of all war controls and activities that hamper the functioning of the private en-



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(Continued on page 3245)

## Attacks Federal Reserve Credit And Margin Controls

Senator Styles Bridges asserts new provisions of Regulation W relating to instalment sales discriminate against low income groups. Holds prohibition against margin trading in listed stocks is also discriminatory and if allowed to stand will produce a serious disorder in the market.

In a statement released on Dec. 17, Senator Styles Bridges (R-N.H.) vigorously denounced the continuation of instalment buying restrictions by the Federal Reserve Board, while removing controls on all charge accounts, and he also attacked the 100% margin regulation on listed stocks as hampering reconversion and favoring unlisted securities speculation. According to Sen. Bridges' statement:

Effective Dec. 1, 1946 the Federal Reserve Board removed controls on all charge accounts and removed instalment buying prohibitions—on all but twelve major groups of durable goods. The rank and file consumer, however, first got the impression from the publicity given to the Federal Reserve Board directive that the goods he is most interested in purchasing



Sen. Styles Bridges

were to be available again on the instalment plan. Now the average citizens finds that such is not the case at all. The products which have been so scarce in recent years, and therefore are so badly needed in the average homes of American citizens, cannot be purchased on the instalment plan without the payment of prohibitive deposits and large weekly payments. The average wage earner and consumer can only, for example, purchase by instalments such articles as refrigerators, washing machines, furniture, radios and other similar home necessities, by the payment of deposits still being regulated under Regulation "W." Persons who use charge accounts find that these articles are available to them, however, without the requirement of a deposit.

The effect of this action by the Federal Reserve Board is to continue to deny to the average family man of the country the articles I have mentioned because the (Continued on page 3253)

## Protest Credit Prohibition on Listed Securities

Association of Stock Exchange Firms sends letter to Chairman Eccles of Federal Reserve Board in which resolution of its Board of Governors denounces extension of prohibition of margin trading as preventing its members from performing their functions efficiently, and as causing abandonment of productive enterprises. Points out orderly control differs from complete abolition of credit.

In a letter addressed to Chairman Eccles of the Federal Reserve Board, dated Dec. 10, James F. Burns, Jr., President of the Association of Stock Exchange Firms, and associated with Harris, Upham & Co., New York City, enclosed a copy of the resolution recently adopted by the Board of Governors of this organization protesting against the prohibition of margin trading in listed securities. The letter, which was also transmitted to other members of the Federal Reserve Board, reads as follows:

Hon. Marriner S. Eccles,  
Chairman  
Federal Reserve Board  
Washington, D. C.

Dear Sir:

The Board of Governors of the Association of Stock Exchange Firms have unanimously adopted the following resolution with respect to the extension of credit on listed securities:

"To furnish a liquid market for those who wish to invest capital and for those who wish to withdraw capital from investment is one of the essential functions of the members of the New York Stock Exchange. Those members wish to serve the public fairly by

providing a broad, free and resili-ent market. A second essential function is the responsibility of the members for using their best judgment and experience in guiding the constructive investment of the savings of more than 70 million Americans who own directly or indirectly the listed stocks and bonds of our country.

"Present restrictions on the use of credit for purchasing listed securities prevents members from performing those functions efficiently. Accordingly, the investing public and the economies as a whole suffer. Bad security markets contribute to bad business, since it is the flow of capital that counts. Without a constant and large flow of capital there cannot be high employment and a rising standard of living.

"In our complex economy with its multiple interwoven parts, trouble in one place starts a chain reaction which spreads to all parts.

"Already restrictions of credit for purchasing, or even substitut- (Continued on page 3253)

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## NSTA Notes

### NSTA SPECIAL LEGISLATIVE COMMITTEE

At the request of R. Victor Mosley, Stroud & Co., Inc., Philadelphia, President elect of the National Security Traders Association, a Special Legislative Committee was appointed by the NSTA to deal specifically with the proposed new legislation of the SEC regarding information on "Unlisted Companies" having \$3 millions in securities outstanding, or 300 stockholders.

The list of the Committee, as announced by Thomas Graham, President of the NSTA, with representatives from each affiliate follows:

**Chairman**—Paul Moreland, Moreland & Company.  
**Vice-Chairman**—Clair S. Hall, Jr., Clair S. Hall & Co.  
**Members**—H. Frank Burkholder, Equitable Security Corp.; Chester A. Lucas, Stein Bros. & Boyce; Josef C. Phillips, Pacific Northwest Company.

### Representatives

Atlanta, Ga.—Malon C. Courts, Courts & Company.  
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Connecticut—Andrew Tackus, Putnam & Company.  
Cleveland, Ohio—R. I. Cunningham, Cunningham & Co.  
Dallas, Texas—W. C. Jackson, First Southwest Co.  
Detroit, Mich.—William Moore, McDonald-Moore & Co.  
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Florida—George M. McCleary, Florida Securities Company.  
Houston, Texas—Claude T. Crockett, Moroney, Beissner Co.  
Kansas City, Mo.—Arthur I. Webster, E. W. Price & Company.  
Los Angeles, Calif.—Oliver B. Scott, Maxwell, Marshall Co.  
Louisville, Ky.—Burgess Reimer, Berwyn T. Moore Co.  
Memphis, Tenn.—Robert H. Jordan, Mid-South Securities.  
Nashville, Tenn.—Chas. W. Warterfield, Cumberland Securities.  
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## First Boston Offers Eastern N. Y. Pwr. Bds.

An underwriting group led by The First Boston Corp. and including Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, won the award of Eastern New York Power Corp. \$9,861,000 first mortgage sinking fund bonds, due 1961. The winning bid named a price of 101.24 for a 3 1/4% coupon. The group is publicly reoffering the bonds today at 102. At this price the yield to the purchaser would be approximately 3.09%.

The proceeds from the new bonds, together with those from sale of \$3,000,000 in preferred stock, will be used to pay off at maturity on Jan. 1, 1947, the \$12,861,000 of International Paper 5% bonds. The International Paper bonds were assumed by Hudson River Power Corp., one of the companies to be merged into Eastern New York Power.

## Paul Porter to Head Commission to Greece

Paul A. Porter, recently resigned Price Administrator who had stated his intention for personal reasons to sever all connections with the Government, on Dec. 11 was appointed chief of an American Economic Mission to Greece, which is expected to leave Washington by air about Jan. 20, according to advices from Washington from the Associated Press. The State Department announcement stated that the mission, which has been asked to complete its job by the end of next April, "will examine economic conditions in Greece," and will further "consider the extent to which the Greek Government can carry out reconstruction and development through effective use of Greek resources, and the extent to which foreign assistance may be required."

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**Old Ben Coal Corporation**  
**\*Long-Bell Lumber Company**  
**Mastic Asphalt Co.**  
**\*Miller Manufacturing Co.**  
**Seven-Up Texas Corp.**  
**St. Louis Public Service Co.**  
**Trailmobile Company**

\*Detailed analysis available on request.

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## Michigan Brevities

Trading on the Detroit Stock Exchange dropped to 233,054 shares, valued at \$2,995,298, last month, as against 391,912, valued at \$4,679,747 in the comparable period in 1945. For the first 11 months sales were 4,689,125, or \$58,152,265, as against 5,203,177, or \$50,461,598 in the like 1945 months.

Copco Steel & Engineering Co. of Detroit has requested SEC permission to withdraw 150,000 shares of \$1 par common stock "because of unsettled market conditions."

The First of Michigan Corp. and associates, including Braun, Bosworth & Co.; McDonald-Moore & Co.; Paine, Webber, Jackson & Curtis; H. V. Sattley & Co., Inc.; Miller, Kenover & Co.; Cray, McFawn & Co.; E. H. Schneider & Co.; Crouse & Co.; Donovan, Gilbert & Co., have purchased an issue of \$2,000,000 Western Michigan College of Education, Kalamazoo, 1 1/4%, 2%, 2 1/2%, and 2 1/4% dormitory revenue bonds. The bonds were offered as serial and term bonds at prices from 1.00% to 2.34%.

Smith, Hague & Co., Detroit investment firm, announced that Randall Graphite Products Corp. has declared a dividend of

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have declared the annual dividend of \$1.20 on the common, payable Dec. 23. In addition, the board recommended an increase of 25,000 shares in the common capital stock to be distributed to shareholders as a stock dividend on the basis of one share for each six shares held, payable Feb. 15 to holders of record Jan. 14.

## Decentralization of Industry: Babson

(Continued from page 3210) portation costs. Another example of the wise use of small towns is seen in the building of canning factories, freezing plants and now dehydrators.

Accessibility to sources of cheap power and food make rural sections especially inviting to industry. Small cities in Kansas, Missouri, Texas, Louisiana, Oklahoma, Kentucky, Montana and West Virginia are near large sources of natural gas. This can be used for cheap fuel and as the raw material for chemicals and other synthetic products. Towns near such sources of hydroelectric power, as that of the Tennessee Valley Project, the Boulder Dam in Colorado, and Bonneville and Grand Coulee dams in Oregon, offer industry a low-cost and nearly unlimited power supply. A possibility for the future, now in the experimental stage, of comparatively strike-free power in rural districts is the production of gas by burning unmined coal. Numerous small towns lie strategically near great latent coal supplies.

### Living Conditions

A healthy environment can have a tremendous effect on the morale of workers. Although wages today are being pretty much standardized everywhere, some employees are willing to work for less where they can work in the same small town in which they live. Thus, they cut commuting costs, cost of lunches and are able to shop where prices are cheaper. They surely do more and better work for the same wages.

Added to the financial advantages of the rural worker are the advantages of extra leisure. He may walk to and from his job, work in a healthy environment, for, and with, men who are his neighbors and church friends. He knows that with honest effort he may be outstanding in his small community, rather than lost in an enormous one. The lack of a feeling of personal importance often causes slip-shod, don't-care attitudes among big-city workers. This increase in morale may be one of the reasons for greater productivity in the small community for the same money paid in the city.

### Think of Management

Small cities also offer attractions for management and their families. Their women and children like the friendly conditions. The unit manager has an opportunity to develop independence of thought and action, solving industrial problems with a minimum of red tape and cost. Decentralization of industry is the trend of the times while at the same time large cities will continue to grow and prosper.

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## Connecticut Brevities

The Plastic Wire & Cable Company of Jewett City reported net income of \$85,254 or 86¢ per share for the fiscal year ended Sept. 30, 1946. Net sales for the year were \$2,205,248; earned surplus, \$165,447, and net working capital \$370,206.

For the month of November, Connecticut Light & Power Company reported sales of 91,562,000 kwh. compared with 77,019,000 kwh. for the same month of 1945. This represents a gain of 17.6%.

Royal Typewriter Co., in their consolidated income account (including domestic subsidiary) showed net profit of \$409,855 for the three months to Oct. 31, 1946. This compares with \$33,373 for the corresponding period last year. On a per share basis, earnings were 32¢ against a deficit of 3¢ a share respectively.

The City of New Britain recently awarded to Bacon, Stevenson & Co. at 100.297 for 1.20s, \$110,000 Street bonds, dated Dec. 1, 1946, payable \$11,000 each year, June 1, 1948 through 1957.

The Hartford National Bank & Trust Company is planning to open a new branch at 866 Farmington Avenue, West Hartford.

For the month of November, the Bridgeport division of United Illuminating Company reported sales of 34,715,832 kilowatt hours which compares with 31,900,181 for November 1945. This represents an increase of 8.6%. In the New Haven division, sales of 25,018,088 kilowatt hours increased 16.8% over November of last year.

The Town of East Hartford recently sold \$1,210,000 School bonds dated Dec. 1, 1946 due \$64,000 each year commencing Dec. 1, 1948 and \$63,000 maturing each year commencing Dec. 1, 1961 through Dec. 1, 1966 inclusive. The issue was purchased by The First Boston Corporation and R. L. Day and Company with a bid of 100.65 for a 1.60% coupon. The bonds were reoffered to the public at prices ranging from a .75% basis to a 1.65% basis.

New Haven recently sold \$200,000 General Public Improvement bonds dated Dec. 1, 1946, due \$23,000 Dec. 1, 1948 through 1949, and \$22,000 payable Dec. 1, 1950 through 1956. The First Boston Corporation was awarded the bonds with a bid of 101.10 for a 1 1/4% coupon.

Veeder-Root, Inc., in a statement as of Nov. 3, 1946 showed total current assets of \$4,550,504 against \$3,891,031 a year ago. Total current liabilities were \$649,679 against \$584,035. Total assets were \$7,435,572 against \$6,193,094.

As of January 1 of this year, earned surplus account totalled \$2,513,341 compared with \$2,282,895 as of the preceding January. The net increase in earned surplus in the period Jan. 1, 1946 to Nov. 3, 1946 was \$611,318, bringing the total to \$3,124,659. This compares with an increase of \$124,830 in the corresponding

### Fifty-fifth Year of Dealing in

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## Why Cheap Money?

By PAUL EINZIG

Dr. Einzig points out British Government's cheap money policy is an inevitable necessity of Treasury policy and not a Socialistic phenomenon. Sees in any reversal of interest rates a heavy burden to British Treasury and a conceivable intensification of inflation, but concludes the cheap money drive cannot continue forever, and its adverse effects can be avoided if time is given to reduce unwieldy mass of floating debts to manageable proportions.

There is every likelihood of a determined attack on the British Government's cheap money policy in the not too distant future on the part of the opposition.

The main argument is expected to follow on orthodox lines, judging by the preliminary skirmishes that have preceded the attack. The cheap money policy is accused of being responsible for the inflationary trend that is threatening the country.

Beyond doubt, the trend of prices and wages is still in an upward direction, and the Government is largely responsible for this. Anybody attacking the official policy on the ground of Mr. Dalton's cheap money drive, however, mistakes the shadow for the substance. The Government is open to criticism on account of its inability of imposing a ceiling to the rise in wages, and even more on account of its inability to induce its supporters among the working classes to put in an honest day's work for a full day's wages. It is because the Govern-

ment is incapable of enforcing discipline and devotion to duty among its followers that prices are rising; compared with this factor, the cheap money policy is a mere drop in the ocean.

In any case, cheap money policy, in the conditions prevailing at present in Britain, is an inevitable necessity, and would be pursued by the Treasury under no matter what Government is in power. It is a necessity if the Government wants to ensure the renewal of the gigantic floating debt. So long as holders are convinced that by hesitating whether to renew it or not they stand to lose as a result of the continuous downward trend of interest rates, they will not be slow in renewing their holdings. The moment they realize that there is no likelihood of a further decline many of them may prefer to wait and see.

What both supporters and opponents of the cheap money policy fail to realize is that the policy cannot be arrested. It must either go on or it becomes reversed. Supporters of cheap money would like the downward trend of interest rates to continue, in order that the low limit should be reached as soon as possible. (Continued on page 3253)

Paul Einzig



## Unchanged Basic Interest Rate Predicted by First Boston Corp.

Study denies recent rise in "corollary" rates indicates general firming. Questions desirability of peacetime selling of Treasury securities to public. Estimates annual outside financing needs of corporations at only \$2 billion. Urges reform of tax structure.

Even a high degree of business activity during the next five years would not bring about a material change in the basic long-term interest rate, The First Boston Corporation maintains. This is the keynote of a study, released this week, which was prepared by Aubrey Lanston, Leroy M. Piser, and Malcolm B. Lees, officers of the firm.

A. G. Lanston



The study concludes that the impact of a prosperous business condition over the next five years would bring about no material change in the basic long-term interest rate (that on Treasury securities). It states that under these conditions the average yield on long-term Treasury bonds should range between 2.50% and 2.35%. Under somewhat depressed conditions the study anticipates that long-term rates would fluctuate around the lower level of this range. It concludes that rates on short-term Treasury securities probably will remain unchanged, but it adds that the future level will depend largely on Treasury and Federal Reserve policies, and that if any change impends an upward revision is the more probable.

The study states that the recent increase in interest rates on other classes of securities and on loans, which it terms corollary rates, is not an indication of a general

firming of interest rates. The upward change in these rates is claimed to be a reflection of both the increased supply of such loans and investments and the larger degree of risk inherent in the more freely-operating peacetime economy.

Under the business possibilities considered, the study estimates that life insurance companies should continue to be reasonably substantial buyers of Treasury securities over the five-year period; that savings banks may be net sellers; that commercial banks would be buyers in a somewhat depressed business condition, but would lose Treasury securities on balance in a prosperous one, and that the Federal Reserve Banks will continue to hold about the same amount of Treasury securities as at present. Over the near-term commercial banks are expected to be buyers of intermediate maturities.

While the study was originally designed to provide some logical conclusions as to the future of interest rates under a certain range of business conditions, other comments are made which are of interest with respect to desirable governmental policies and the economic and financial requirements of prosperity.

### Questions Desirability of Peacetime Sales to Public

The report questions the overall desirability of endeavors to sell increasing amounts of Treasury securities to the public in peacetime. The point is made that if a

(Continued on page 3241)

## Missouri Brevities

On Dec. 13, two issues of Kansas City Power & Light Co. securities were publicly offered, the proceeds of which are to be used to redeem (a) \$38,000,000 of first mortgage bonds, 3 1/4% series due 1966 at 110, and (b) 40,000 shares of first preferred stock, series B, at 115. Halsey, Stuart & Co. Inc., together with Baum, Bernheimer Co. of Kansas City, and Newhard, Cook & Co., Reinholdt & Gardner, Smith, Moore & Co. and Stix & Co., all of St. Louis, and others, participated in the offering of \$36,000,000 first mortgage bonds, 2 1/4% series due 1976 at 101.43 and interest. A syndicate headed by The First Boston Corp., and including, among others, Stern Brothers & Co. of Kansas City, offered 100,000 shares of 3.80% cumulative preferred stock (par \$100) at \$102.70 per share and dividends from and including Dec. 1, 1946.

For the 12 months ended Sept. 30, 1946, the utilities company reports total operating revenues of \$23,822,030, as against \$23,573,761 in the same period ended Sept. 30, 1945; net income after charges and income taxes was \$4,022,901, compared with \$3,024,807; and earnings per common share amounted to \$7.20, compared with \$5.30 in the 1945 period.

Public offering was made on Dec. 12 by Dempsey-Tegeler & Co. and J. W. Brady & Co., both of St. Louis, of 50,000 shares of 5% cumulative convertible preferred stock, par \$10, and 100,000 shares of common stock, par \$2, of General Engineering and Manufacturing Co., the preferred being sold at par and dividends from Nov. 1, 1946, and the common at \$5 per share. The common stock was oversubscribed. The proceeds are to be used for corporate purposes. It was announced that the company plans to start assembly line production next month of its new "packaged" air conditioner for stores, offices, beauty parlors, etc. The company also expects that another development, described as a refrigeration machine which reverses its function in winter as contrasted with summer, will go into production in the latter part of 1947.

Reinholdt & Gardner, together with Stifel, Nicolaus & Co., Inc., also of St. Louis, on Dec. 31 made a secondary distribution of 4,000 shares of Johnson-Stephens & Shinkle Shoe Co. common stock (no par value) at \$13.50 a share.

An issue of \$80,000 of St. Joseph, Mo., 2% refunding school bonds, due in 20 years, was publicly offered on Dec. 9 through Barret, Fitch & Co., Inc., and Lucas, Farrell & Satterlee, Inc., both of Kansas City, and sold within 48 hours and the account closed.

Spencer T. Olin, Vice-President of Olin Industries, Inc., on Dec. 13 was elected a member of the board of directors of Laclede Steel Co. to fill a vacancy.

Kansas City Title Co. on Dec. 11 declared a dividend of \$8 per share on its capital stock, payable Dec. 28 to holders of record Dec. 20. Total payments for the calendar year 1946 will amount to \$13 per share, compared with \$6 per share in 1945.

The net income of the Kansas City Southern Ry. for the ten months ended Oct. 31, 1946, amounted to \$2,874,933, equal to \$4.26 a common share, compared with \$3,957,793, or \$6.39 a common share in the corresponding period ended Oct. 31, 1945.

## POSITION MARKETS IN

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## Charles Clark to Admit Field and Schlater

Charles Clark & Co., 72 Wall Street, New York City, members of the New York Stock Exchange, will admit Edward P. Field and Myron F. Schlater to partnership on Jan. 1. Mr. Field was previously a partner in Edward P. Field & Co. Mr. Schlater was manager of the municipal department for Charles Clark & Co. for a number of years.

Robert H. Rich will retire from partnership in the firm on Dec. 11.

### Primary Markets Bank & Insurance Stocks

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## Real Estate Securities

During this period when the stock market, according to some observers, is trying to decide which way to turn, the investor who contemplates placing funds in real estate securities steers a wise course, say some of the analysts, who shows a proper regard for the cost factor in the operation of any properties in which he may be or become interested. In appraising the cost element, too, these analysts point out, it might prove helpful to compare present figures with those of the last decade as the differences in the amounts could give some indication of the extent to which costs with some adjustments, of course, could drop if necessary.

The cost factor can be particularly important in the case of hotels, the analysts argue. Some really good names in hotels, for instance, because of the presence of high costs, often can not offer the investor returns or the prospect of returns as large as or as promising as those which many other less well-known establishments, because of their lower costs, are sometimes able to provide, they report. Some of the generally-considered best hotels

today are requiring 85% of occupancy to meet operating costs whereas others need now, or at some possible future date in a declining market would need, only 65% or so, these analysts declare.

Since hotel occupancy on the average is running around 95% at the present time, it must be obvious that the establishments which require the least amount of occupancy to keep their financial heads above water can stand the most punishment in the way of business shrinkage before really getting hurt, they insist.

Among the commercial buildings, the cost factor is likewise becoming very important, the analysts say, because there are some signs of shrinkage in the amount of space which tenants are requiring. However, they admit these signs are at present at least very spotty indeed. Despite even the expected wholesale withdrawal of the government wartime agencies from the millions of square feet of space they are now occupying in these buildings, the analysts think, occupancy should nevertheless remain at a fairly high level for a minimum of two years more.

Probably the primary consideration in their thinking, as in the thinking of those concerned with at least another section of the real estate market, apartment houses, is that the present structures won't be getting any competition from new buildings for this length of time at least for the very simple reason that it will undoubtedly take all of two years for the various troublesome bottlenecks in the construction industry to open up. Since the stock market rarely discounts the future with any degree of assurance more than six months ahead, they say, the entire market in real estate securities probably, with all due consideration to the cost factor, should with good reason remain relatively strong for some time yet.

Should the securities market really weaken, they point out, even where the yield on some real estate bonds, for instance, is equal to the return on some corporate stocks, the real estate bonds would nevertheless have to face the competition which past experience has shown these stocks can give them. On the other hand, some market-wise investors who don't like to put all their eggs in one basket will certainly want to continue to include a few good real estate securities among their holdings, the analysts reason.

It would not be difficult to find someone on Wall Street who thinks that real estate securities have definitely passed their peak in prices in the current market. While bearish feeling is admittedly very strong in the real estate field, as in many other sections of the securities market, yet

an opinion is held by some that prices will tend to gravitate more or less around present levels—which, by the way, holders of this opinion consider to be healthier levels than those from which the prices have fallen—for some time, perhaps until the new construction can get under way. Very few real estate men believe that the new construction, even when started, will be attempted on anything approaching a very grand scale, however. The potential of strength in real estate securities consequently is probably greater than the market is inclined today to give it, the analysts point out.

Such new construction as may reasonably be expected to be undertaken in the future will very likely be confined to those areas where severe congestion exists because of wartime shifts in the population, the market experts believe, too. Many of the present commercial buildings and apartment houses consequently should be able to receive for a considerable period many new tenants as present leaseholders find they are able to get along on less floor space, they point out. In and around New York, demand for existing commercial and apartment space should remain heavy indeed for some time, they think. Selectivity, they say, based upon considerations of the operating costs of particular properties in an uncertain market should and can surround many real estate securities with a halo of attractiveness despite the apparent force of the bearish mood of the day.



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the student of some particular product can place his own estimates to see if they fit. If they do not, he must make up his mind whether it is his picture or the frame that is the wrong size.

In most cases the volume of spending and saving is determined not by the total of money income, or statutory net income, or the "total" income as defined by government economists to include income received in kind. It is linked more to disposable income, which is what is left of income payments after payment of direct taxes, but depends greatly on the manner in which that income is distributed, i.e. the number of families at each income level, and the extent to which consumers are already supplied with durable goods.

To some extent it is helpful, in judging the potential demand for goods not of the first order of necessity, to deduct from disposa-

(Continued on page 3243)



Rufus S. Tucker

is hazardous. But they are not wholly useless. They furnish a frame of reference against which

\*An address by Dr. Tucker before Northern New Jersey chapter of American Marketing Association, Newark, N. J., Dec. 10, 1946.

### Result of Treasury Bill Offering

The Secretary of the Treasury announced on Dec. 16 that the tenders for \$1,300,000,000 or thereabout of 91-day Treasury bills to be dated Dec. 19 and to mature March 20, which were offered on Dec. 13, were opened at the Federal Reserve Banks, on Dec. 16.

Total applied for, \$1,784,033,000. Total accepted, \$1,308,874,000 (includes \$26,576,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905+; equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.907, equivalent rate of discount approximately 0.368% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

71% of the amount bid for at the low price was accepted.

There was a maturity of a similar issue of bills on Dec. 19 in the amount of \$1,304,827,000.

### Gerald Goodman Visits NY

Gerald M. Goodman, Vice-President of Lord, Abbott & Co., Inc., with headquarters in Los Angeles, is at the firm's home office, 63 Wall Street, New York City, where he is attending executive meetings. Mr. Goodwin will be here until December 21 at the Hotel Pierre.

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## Consumer-Spendable Income, Spending, Savings, Credit

By DR. RUFUS S. TUCKER\*

Dr. Tucker maintains volume of spending and saving greatly depends on manner in which disposable income is distributed. Cities importance of "supernumerary income," which is the residuum of disposable income after provision for necessities. Opposing Keynesian economists, he contends no nation has ever suffered from excessive private saving; and Russia is only country injured by governmental over-saving.

We are mainly interested in statistics of income and savings because of their bearing on future demand for products we hope to sell. There are

obvious limitations on the extent to which figures of national income and patterns of consumer spending can be relied upon to forecast sales. The published figures are subject to a wide margin of error, and any forecast of future income

is hazardous. But they are not wholly useless. They furnish a frame of reference against which

\*An address by Dr. Tucker before Northern New Jersey chapter of American Marketing Association, Newark, N. J., Dec. 10, 1946.

## Capital Goods for Consumers

By REAVIS COX\*

Wharton School of Finance, Pennsylvania University

Holding inadequate attention has been given to accumulation of consumer capital as a factor determining level of real income and that instalment credit has less influence upon consumer purchases of durable goods than does size of the accumulated stock. Prof. Cox contends regulation of instalment buying modelled on Regulation W has little effect on inflationary forces. Sees a better control in restrictions on production and contends "deferred demands" often are dissipated and disappear. Points out increasing life span of durable goods.

We have only begun to understand how big an accumulation of durable goods we need to maintain the American level of living. The National Resources Committee published in 1939 a first rough estimate down to date. We have no reason to doubt, however, that as we climb to high postwar levels in the production of consumer durables we shall also reach new highs in consumer holdings of these goods, even if they are valued at prewar prices. Taken at current values, the aggregates will be still higher because of the rises in prices since 1942.

I shall not undertake here to discuss our findings in more detail. Our report has been published. For present purposes I want only to stress the fact that approximately two-thirds of these holdings of consumer capital goods are durables in the purchase of which instalment credit plays a major part. These goods, for which instalment buying is particularly important, fall into four large groups. The largest consumer investment, to our surprise, we found not in automobiles but in

(Continued on page 3252)

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## Distribution to Sustain Expanded Production

By ALFRED SCHINDLER\*

Former Under Secretary of Commerce

Former Commerce Department official asserts our distribution policies are faced with dual challenge: (1) to advance interests of particular companies; and (2) to promote all business. Holds increase of incomes of under-privileged consumers—comprising one-third of the nation—is indispensable for an expanding economy. Costs must be lowered for benefit of lower income groups. Maintains trade barriers plug the lines of distribution and must be abolished.

I'm convinced that full and effective distribution of goods and services is determined by the amount of money or credit in the hands of the people. The primary force which determines the annual volume of business done in this country depends on the total amount of money each consumer decides to spend out of his or her total income.

Now the total amount of money which people will spend in the aggregate depends, by and large, on the size of their income. All the charts which our economists have ever prepared on sales-income

can only have the money or credit when he is productively and gainfully employed.

Now, the second conviction I have with regard to distribution is that you do not necessarily achieve an increase in total employment when a particular firm succeeds in increasing the sale of its product or brand, if this increase is accomplished by shifting sales from its competitors.

### The Diversion of Sales

For example, aggressive merchandising which results in an expansion of the sales volume of X brand automobiles may have been achieved by diverting sales from its competitors in the industry. If the total sales of autos bear the same relationship to income as before, then, obviously, total employment has not necessarily been increased.

Of course, if the increased sales of X brand autos leads the company to make a greater net investment in plant, equipment and inventory, then aggregate national employment would be increased.

However, even if the entire automobile industry succeeds in selling more cars, and in this manner obtains a larger share of the consumer's dollar, it still does not

relationships clearly demonstrate this fact. For this reason all the effective distribution techniques such as advertising campaigns, sales promotional activities, are apt to fail of their mark if the dollars which they seek are not in the pockets of their potential customers. Let us always remember that man can only buy when he has the money or credit, and he

\*Address by Mr. Schindler before Northern New Jersey Chapter of American Marketing Association, Newark, N. J., Dec. 11, 1946.

## Questions of Foreign Economic Policy

By RAYMOND F. MIKESELL\*

Associate Professor of Economics, University of Virginia

Prof. Mikesell points out a successful foreign economic policy is essentially a compromise between national interests and external realities and calls attention to conflict in the foreign trade objectives as laid down in the proposed I. T. O. Charter. Sees difficulties in carrying out proposals under conflicting ideas of private trading and state trade monopoly and contends a single state trading organization does not operate on principle of free flow of commerce based on relative competitive advantage. Holds I. T. O. loopholes regarding commodity agreements a practical compromise.

There are two basic questions to be considered by every country in the formulation of its foreign economic policy. The first question has to do with the international economic objectives and means of attaining them from the standpoint of the national economic and political interests of the individual country. The other question relates to the feasibility of realizing these



Raymond F. Mikesell

objectives in the light of the interests of other countries and of the structure of the international economic and political environment. In a world of widely differing economic and political systems and philosophies a successful foreign economic policy must be something of a compromise between national interests and external realities.

\*An address by Prof. Mikesell at the University of Toronto, Toronto, Canada, Dec. 13, 1946.

### U. S. Objectives

We may summarize the basic foreign economic objectives of the United States as follows:

1. There should be a large volume of world trade in which the United States will have a share consistent with its productive capacity.
2. World trade should be multilateral in character.
3. There should be no discrimination against the trade of any peaceful nation and no discrimination against U. S. trade in particular.
4. International trade should, with few exceptions, be carried on by private enterprise without collusion.
5. There should be established an international environment conducive to world economic stability at high levels of income and employment for all countries.

The specific measures which have been taken to further these objectives are well known. The United States has sought to reduce barriers to the free flow of

(Continued on page 3244)

## Supreme Court Outlaws State Tax on Interstate Securities Sales

The Supreme Court rendered a decision, with two justices dissenting on Dec. 16 holding the State of Indiana was without power to levy a gross income tax to a sale by a resident of stocks to an out-of-state purchaser.

This reverses the Indiana Supreme Court which held that the sale was not in interstate commerce and therefore barred from state taxation.

The case grew out of an appeal by Almira G. Freeman of Richmond, Ind., who paid the 1% Indiana sales tax, totaling \$652 under protest.

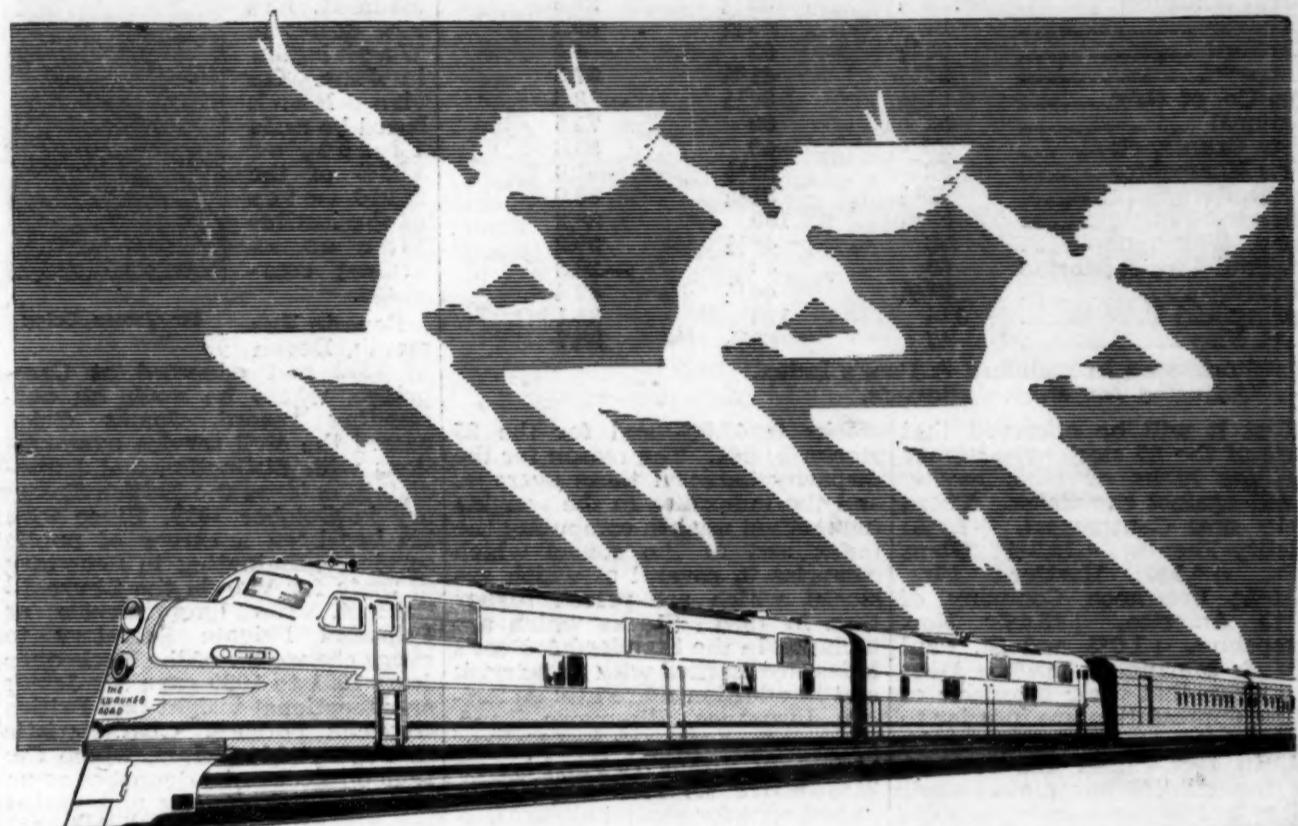
Justice Frankfurter, who read the decision, said that the interstate commerce clause of the Constitution prohibited a state from "taking any action which may fairly be deemed to have the effect of impeding the free flow of trade between states" and that the purpose of this clause was "to prevent states from exacting toll from those engaged in national commerce."

### Moore, Leonard & Lynch Admits Two New Partners

Charles R. Leonard, Jr. and William A. H. Leonard will be admitted to partnership in the New York Stock Exchange firm of Moore, Leonard & Lynch, on Jan. 1. They will make their headquarters at the firm's New York office, 14 Wall Street.

### Laidlaw Admits Partners

Laidlaw & Co., 26 Broadway, New York City, members of the New York Stock Exchange, will admit to partnership on Jan. 2, William W. Kouwenhoven, William E. Dugan, Paul E. Burdett and Henry B. Laidlaw, general partners, and Theresa N. McSweeney, limited partner.



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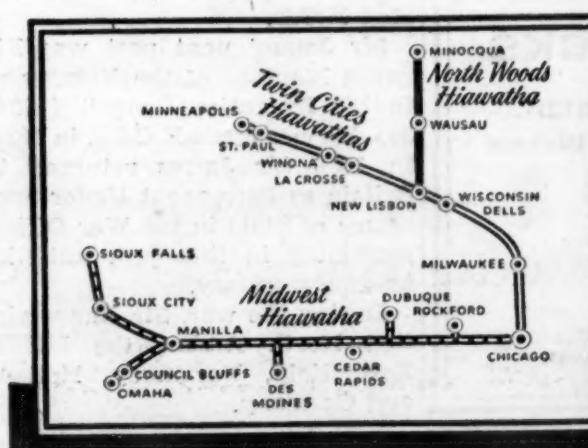
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## Bank and Insurance Stocks

By E. A. VAN DEUSEN

### This Week—Insurance Stocks

An interesting and harmless "indoor sport" is that of occasionally computing the potential market appreciation of stocks on the assumption that the market will eventually move up from its present level to a previous high point. For example, Standard & Poor's weekly index of fire insurance stocks was 116.8 on Dec. 11, 1946; its previous high was 124.3 in February 1936, and the potential appreciation is 6.4%. By way of comparison it is of interest to note further since 1936 than have fire stocks. How individual fire insurance stocks compare with the index and with each other is shown in the following table.

	Asked Price 12/11/46	1936 High	Appreciation or Depreciation to Reach 1936 High
*Aetna	53 1/4	72	35.2%
Agricultural	77	95 1/2	24.0
Amer. Equitable	18 1/4	40	119.2
Bankers & Shippers	65	118	81.5
Boston	65 1/2	73	11.5
*Continental	49 1/4	46	-6.6
*Fidelity-Phenix	55 1/4	49 1/4	-11.7
*Fire Association*	55	75	36.4
Franklin Fire	21 1/2	38	76.7
Glens Falls	50 1/2	48 1/2	-4.0
*Great American	27 1/2	35 1/4	26.5
Hanover	27	43 1/4	60.2
*Hartford	96 1/4	92	-4.4
*Home*	26 1/2	41 1/4	57.5
Ins. Co. of N. A.	97 1/2	84 1/2	-13.3
*National	51	89	74.5
New Brunswick	26	40	53.8
New Hampshire	52	51 1/2	-1.0
*North River	22 1/2	31 1/4	38.9
*Phoenix	88 1/2	109	23.2
Prov. Washington	36	46 1/2	29.2
*St. Paul Fire & Marine	65	48	-26.2
Security	31 1/4	44 1/2	42.4
*Springfield F. & M.	114	154	35.1
*U. S. Fire	47	60 1/2	28.7

\*Stock used in Standard & Poor's Index.

\*\*Adjusted for stock dividends.

First it will be observed that seven of the 25 stocks are higher than the highs of 1936, having moved against the index. These stocks are: Continental, +7.1%; Fidelity-Phenix, +13.2%; Glens Falls, +4.1%; Hartford Fire, +4.6%; Insurance Company of North America, +15.4%; New Hampshire, +1.0% and St. Paul Fire & Marine, +35.4%. Does this mean that their prospects of future appreciation are inferior to those of the other 18? We think not, in fact rather the reverse, for the market has moved their prices up, in most cases because of superior earning and growth factors.

Among the remaining 18 stocks, "potential" appreciation ranges from a low of 11.5% for Boston to a high of 119.2% for American Equitable. The average for the 18

stocks is 47.5% and for the 25 stocks, 31.5%. The reason for the disparity between these averages and the index lies in the weighting method used in computing the index and in the stocks which comprise it, several of which are stocks which are priced higher than in 1936. Stocks which are included in the Standard & Poor's index are marked with an asterisk and in addition there are: American Insurance, Fireman's Fund, Firemen's of Newark and National Liberty. Firemen's Fund is now 21% above its 1936 high, after adjustment for capital changes.

Such a table as this is something to study with a speculative eye, but it cannot be used as a serious guide to future market performance; if this were so, an investor would refrain from placing his funds in Fidelity-Phenix or Insurance of North America, and instead would place them in such stocks as American Equitable or Bankers & Shippers.

The main point to consider is that one must distinguish between the relatively speculative issues of fire insurance stocks and those of investment caliber. The former are more volatile in market action and may well afford trading opportunities for short and medium term gains, in which connection the tabulation above may serve as some sort of a guide. But for the long term investor this table will indicate those stocks which the market has particularly favored for good and sufficient

reasons. For example: Continental, Fidelity-Phenix, Hartford, Insurance Co. of North America and St. Paul Fire & Marine have shown a growth in equity since 1936, as measured by the ploughback of undistributed earnings, far greater than the average of the group. On the other hand the growth of such stocks as American Equitable, Bankers & Shippers, Franklin, Hanover, Home, North River, etc., has been well below average.

## Officials of Bank And World Fund

(Twenty-fifth of a Series)

### SIR JAMES GRIGG UK Executive Director of the World Bank

Appointed by the British Government as its executive director of the World Bank to replace Mr. Robert H. (now Lord) Brand, its temporary executive director, Sir James Grigg assumed his new duties in Washington in June. On the Bank board he casts 13,250, or 4.98% of the 85,270 votes of the institution as at present composed.



Born in Exmouth, Devon

in 1890 and educated at Cambridge, where he made an outstanding record, James Grigg passed the civil service examinations with distinction and immediately entered the British Treasury in October 1913. Since then his has been a career of public service, culminating in Secretary of State for War in the Churchill Cabinet. His long service as Principal Private Secretary to every chancellor of the Exchequer from 1921 to 1930 gave Sir James an exceptional insight into British financial policies. Characteristic of this notable Briton, whom the London Economist describes as an administrator of long and varied experience, is the fact that, to accept the Secretaryship of War required surrendering all civil service retirement benefits accumulated over the years.

Grigg was in the British Treasury only two years when World War I called him to accept a commission in the Royal Artillery. After serving in Salonika, Grigg in 1919 returned to the Treasury. He became Principal Private Secretary to Chancellor of the Exchequer Sir Robert Horne in April, 1921, and held the same post under his successors: Stanley Baldwin, Neville Chamberlain, Philip Snowden, Winston Churchill, and in 1929-30 Philip Snowden again. Mr. Grigg then became chairman of the Board of Internal Revenue, a post he held during the years 1930-34. It was in this period that, in 1932, he was created K.C.B.

Sir James' next post was Finance Member of the Viceroy of India's Executive Council (1934-39). He was made K.C.S.I. in 1936. In 1939 Sir James returned to Britain as Permanent Under Secretary of State in the War Office, remaining in that post until he became secretary.

During the war, Sir James visited North Africa, the Middle East, Italy, Normandy, Holland and Germany.

## Competitive Pattern in Consumer Credit

By F. R. WILLS\*  
President, General Phoenix Corporation

Finance company executive traces history of automobile purchase financing, and indicates aid that was given dealers by finance companies in promoting sales. Shows declining profits in automobile financing, but asserts finance companies welcome competition of banks in the consumer credit field. Holds bank competition will affect dealers' operations seriously, since banks will take only most desirable portion of retail paper. Predicts higher rates will be necessary to make automobile financing profitable.

The subject assigned to me covers such a large field that it would be impossible in the limited time allotted to cover the entire competitive pattern in all lines of merchandising. I will therefore confine my remarks principally to developments in automobile financing, which field exceeds all others.

In order to give a better picture of present-day competitive conditions, it might be well to go back some 30 years and follow the developments from 1917 to the present time. As my experience covers this 30-year period, I can recall competitive conditions in 1917, 1918 and later.

In those days there were few finance companies and automobile dealers were pressing the existing companies to finance their business. The dealers had very few,

\*A paper read before the Northern N. J. Chapter, American Marketing Association, Newark, N. J., Dec. 11, 1946.

(Continued on page 3242)

## Plan to End War Powers Opposed by Rep. Lewis

controlled in line with last month's GOP congressional election victory.

He made these points in opposition to a blanket repeal:

### Repeal Would End Draft

1. The present procurement program of the armed forces is based on emergency powers. Repeal would force the Army to fall back on "extremely limited procurement authority and unwieldy procurement practices."
2. The Army would be compelled to rely entirely on recruiting to fill manpower requirements.
3. The modernized staff structure of the Army would be eliminated.
4. Statutes providing secrecy on patents essential to national defense would be wiped out.

Demands for quick repeal of the President's war powers had been made earlier by many GOP leaders, including Martin.

### E. F. Hutton Co. to Admit

E. F. Hutton & Co., 61 Broadway, New York City, members of the New York Stock Exchange and other national Exchanges, will admit Joseph J. Edgerton to partnership on January 1.

## Australia and New Zealand

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## Pre-War U.S. Per Capita Income Was at Record High

Dr. Simon Kuznets, in National Bureau analysis of 1919-1938 national income, also finds over one-half of total income was accounted for by unincorporated firms; that upper 14% of income group received 70% of total dividends; and that income flow of goods to consumers accounted for more than 90% of national income.

During the two decades 1919-38, average national income per capita, per gainfully occupied person, per person employed, or per



Simon Kuznets

sylvania and a member of the research staff of the National Bureau of Economic Research in a monograph, *National Income: A Summary of Findings*, announced this week by the National Bureau of Economic Research.

To show how this high per capita income was produced and used, Dr. Kuznets traces the "economic process of circulation as reflected in national income and its components — from its origin in the various industries, through its distribution by type and size, to the various categories of use of both income flow and national product."

### Differences Among Industries

During 1919-38, the commodity producing industries accounted for 38% of national income; the service industries (governmental, professional, personal, etc.) for 42%; commodity transporting and distributing industries, for 20%. Agriculture, one of the commodity producing industries, accounted for less than 10%.

"The industrial structure of the working force is quite different," Dr. Kuznets finds. During this period almost half was engaged in commodity producing industries, and less than a third in the service industries. Agriculture accounted for slightly over one-fifth.

"These contrasts indicate big differences among industries in income per member of the working population." In agriculture, income produced per person employed was half that of the country-wide average; in secondary commodity production and in commodity transportation and distribution, it was equal to the average, and in the service industries, well above the average.

A relatively large share of national income, well over one-half, was accounted for by industries dominated by unincorporated firms, and a moderate share, somewhat over one-third, by those dominated by corporations. Only 12% of the total was accounted for by government. "Total and service income per employed rise steadily," Dr. Kuznets says, "as we pass from the group [of industries] with a large proportion of unincorporated firms to the industries dominated by private corporations, to those in which corporations are subject to more government regulation, and finally to the public sector."

### Distribution of National Income

"The estimates show that of national income produced during the two decades [1919-38], more than 100%, on the average, was distributed in the form of income payments . . ." The excess over

100% reflects the capital depletion in the depression. "Even in the cyclically prosperous year 1929 the share of national income retained as undistributed net profits by corporations and savings by governments was only 4%." Ordinarily, Dr. Kuznets says, the amount not distributed in the form of income payments is less than 4%, merely a minor fraction of national income.

Roughly four-fifths of national income was distributed largely for personal effort, one-fifth as returns on invested capital, he says. It is possible, however, that if a finer line could be drawn between returns for personal effort and on capital than present data permit, the share representing compensation for personal effort might be somewhat less and that representing returns on property and enterprise somewhat higher.

The report shows that when the population is grouped according to size of income per capita the upper 1% group received, on the average, during 1919-38, 14% of total income payments before deduction of federal income taxes; the upper 5% group received

26%, Dr. Kuznets reports. Because of possible underreporting on tax returns, however, these percentages, the report notes, may underestimate by perhaps as much as one-tenth the shares received by these upper income groups.

While the upper 1% group of the population received, on the average, 14% of total income payments, Dr. Kuznets finds that their average share in total wages and salaries was less than 7%, their share in total dividends almost 70%.

The incomes of the upper groups were much more heavily weighted by dividends and other income from property than those of the lower. Dividends, interest, and rents combined accounted, on the average, for almost half of the incomes of the upper 1% of the population and for more than one-third of the incomes of the upper 5%. For the lower 95% they constituted less than one-tenth.

### Flow of Goods to Consumers and Into Capital Formation

"During the two decades 1919-38 the flow of goods to consumers accounted for well over 90% of national income, leaving only 6 to 7% for net capital formation." Of the total flow of goods to ultimate consumers, about 40% was made up of perishable commodities, i.e., commodities lasting less than six months, such as food, drugs, fuel, paper products, etc. An almost equally large share was accounted for by services. These two categories accounted for more than 70% of national income as measured in 1929 prices. Since perishables disappear quickly and consumption of services coincides

with their production, Dr. Kuznets points out that a very large proportion of the current net product of economic activity vanishes without leaving a trace in the stock of goods.

Savings embodied in net capital formation, he finds, are accumulated mainly by individuals. During 1919-38 they accounted for more than 95% of net capital formation, and for almost 70% even in the prosperous decade 1919-28. Sample data suggest that these savings come primarily from the upper income groups.

All these aspects of national income and its components, Dr. Kuznets concludes, "are the characteristics of a highly developed industrial, largely urban economy, with a relatively democratic organization of society and freedom of enterprise."

## Group Offers 100,000 Shares of Portis Style Industries

Brailsford & Co. and Shilling law, Bolger & Co. headed a banking group which on Dec. 16 made a public offering of 100,000 shares of \$1 par common stock of Portis Style Industries, Inc. at \$6.50 per share. The company is one of the three or four largest hat manufacturers in the country and the financing being done today will mark the first opportunity the public has had to participate in its ownership. It was organized in 1914, and is owned by four brothers, Arnold E. Portis, Henry R. Portis, Lyon Portis and Theodore Portis, each of whom is selling 27,500 shares representing

about 25% of their present holdings. An additional 10,000 shares were registered and are being sold to employees of the company. Directors have declared a 50c dividend on the stock, payable Dec. 27 of record Dec. 20.

The company manufactures and distributes fur felt and wool-felt hats, cloth caps and leather and wood gloves and mittens for men and boys, and all types of summer hats. Distribution is effected through more than 5,000 customers in this country and Hawaii. Its fur felt hats are made in its plant at Michigan City, Indiana. Caps are made in its Chicago plant at 320 West Ohio St.

The company is operating at capacity levels and now has more orders on its books than can be filled. Production is being distributed on an allocation basis. Last year the company had a sales volume of around \$3,675,000, with first six months sales this year estimated at \$2,175,000, and net earnings of \$323,000 for the period.

## G. H. Walker & Co. Will Admit McKnight, Newton

G. H. Walker & Co., members of the New York, St. Louis, and Chicago Stock Exchanges, will admit David W. McKnight and George A. Newton to partnership on Jan. 1. Mr. McKnight will make his headquarters at the firm's New York office at 1 Wall Street. Mr. Newton will be located in St. Louis, 503 Locust Street.

Mr. McKnight was formerly an officer of Argus Research Corporation of New York.

*This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Bonds. The offer is made only by the Prospectus.*

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*December 16, 1946.*

## Railroad Securities

Many rail analysts have recently been recommending the securities of Western Pacific, and particularly the preferred and common stocks, as representing outstanding values in the rail field. The common has recovered some 10 points from the low of a few months ago but is still available almost 20 points below the 1946 high, and the preferred has retraced only about a third of the break of 30 points it sustained during the selling wave. With the common on a \$3 dividend basis the current return is better than 8% while the preferred affords a return of around 6.4% on its \$5 dividend at recent market levels.

After the common has received \$3 in any one year the preferred shares equally in any further distribution. This provision will presumably militate against any increase in the common dividend, at least for the time being, but the current rate appears well secured and, together with the road's strong finances and favorable earnings prospects, should warrant considerably higher prices.

In relation to its size and debt structure Western Pacific is financially one of the strongest roads in the country. It emerged from reorganization only a few years ago with fixed interest debt confined to equipments and \$10,000,000 of 1st 4s. There were also \$21,219,000 of Income 4½s con-

vertible into common stock at the rate of \$50 a share. Through a combination of retirements and conversions the Income bonds outstanding had been reduced to \$11,807,700 as of the beginning of last May.

In comparison with non-equipment debt aggregating only \$21,807,700 the company as of the end of September had net working capital of \$21,807,000. Moreover, the net working capital does not include certain reserves against possible tax liability, deferred maintenance, etc., invested in government bonds. As of the end of last year these holdings amounted to close to \$12,000,000.

The preferred stock (\$100 par) is outstanding in the amount of \$318,502 shares and there are 408,283 shares of common, increased by bond conversions from the original issue of 319,033 shares. In view of the strong treasury position and reserves set up it is generally expected that capital obligations senior to the common stock will be further sharply reduced next year. It would not appear unlikely that the entire balance of the Income bonds might be retired. This would be particularly favorable to the common stock in eliminating future dilution through conversion.

From a traffic standpoint Western Pacific over a long period of years has had one of the most impressive records among the country's railroads. The road has benefited materially from industrialization of the Pacific Coast area and other sections of the west. In the early 1930s an extension into Northern California to a connection with Great Northern was completed. This has been of considerable traffic benefit to both properties. During the period of trusteeship the main lines were virtually rebuilt. Thus the road has improved its competitive status with respect to through transcontinental traffic. At the same time, property rehabilitation and the installation of new equipment has brought the property to a much higher state of efficiency. All of these factors augur well for a continuation of the favorable traffic trends in the postwar years, and a high rate of earnings.

In recent months the road has been showing considerable progress in bringing operating costs under control. In the last two months for which figures are available, September and October, transportation ratio averaged just below 31%. For the first eight months of the year it had been around 38%. Allowing for the participating feature of the preferred stock, earnings on the common for the 10 months through October were indicated around \$4.15 a share. For the full year the earnings on the same basis should run close to \$6 a

share or twice the present dividend rate. The traffic outlook for 1947 is highly favorable and with the new rates recently authorized even better per share results are looked for next year than in 1946. The stock sells only about six times potential 1946 earnings.

### D. Raymond Kenney With First Colony Corp.

First Colony Corp., 52 Wall Street, New York City, announced



D. Raymond Kenney

that D. Raymond Kenney has become associated with their firm. Mr. Kenney was formerly with C. E. de Willers & Co.

### William H. Taylor on World Fund Staff

William H. Taylor, U. S. Treasury monetary official well known in the United States and other countries, on Dec. 16 joined the International Monetary Fund as Assistant Director of the Operations Department. Since returning to Washington from London in June, 1946 Mr. Taylor had been Assistant Director of the Treasury Department's Division of Monetary Research, a post held by him before he went abroad.

With his headquarters in the American Embassy in London, Mr. Taylor for two and one half years until June was the Senior Treasury Representative in Europe. During the war he worked on financial and monetary problems associated with the governments-in-exile, with the UK, and with the Allied armies. At the time of the invasion of North Africa Mr. Taylor went ashore with the first troops to direct the handling of invasion currency.

For 18 months in 1941-42 Taylor was in China as Alternate American Member of the Stabilization Board of China. Previously he was with the Treasury in Washington and in academic work at West Coast universities.

At the Fund, Taylor works under Mr. John Fisher, formerly of the Bank of England and now Director of the Fund's Operations Department.

### William J. Becker Joins L. F. Rothschild Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—William J. Becker has become associated with L. F. Rothschild & Co., 231 South La Salle Street. Mr. Becker was formerly with Glore, Forgan & Co. for a number of years.

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### Pflugfelder & Rust and McGinnis, Bampton & Sellger to Be Formed on January 1st

The New York Stock Exchange firm of Pflugfelder, Bampton & Rust, 61 Broadway, New York City, will be dissolved on Dec. 31 and two new Stock Exchange firms, both of which will be located at 61 Broadway, will be formed by members of the dissolving organization.



Wm. H. Pflugfelder



Sylvester P. Larkin



Patrick B. McGinnis



Hugo E. Sellger



Henry Oetjen



James O'Donnell



John G. Preller

William H. Pflugfelder, Adolph H. Rust, and Sylvester P. Larkin, member of the Exchange, will form Pflugfelder & Rust. Patrick B. McGinnis, Benjamin E. Bampton, member of the Exchange, Hugo E. Sellger, Chas. Warren Caswell, Henry Oetjen, James O'Donnell, and John G. Preller, will become partners in McGinnis, Bampton & Sellger.

### Halsey, Stuart & Co. Offers Rail Issue

Halsey, Stuart & Co., Inc., headed a group of investment bankers that made public offering Dec. 18, subject to I. C. C. approval, of \$12,000,000 Pittsburg, Bessemer & Lake Erie RR first mortgage 2½% bonds, Series A, due Dec. 1, 1996 at 100%. Principal, interest and sinking fund on these bonds are unconditionally guaranteed by agreement and endorsement, secured by the first mortgage of Bessemer & Lake Erie RR. The bonds were awarded to the bankers at competitive bidding Dec. 17 on a bid of \$9,809.

The Series A bonds are redeemable at prices ranging from 105% to par. For the sinking fund, the redemption prices are scaled from 102% to par. Annual sinking fund payments, contingent upon earnings are \$120,000 plus a sum equal to interest on all bonds previously acquired for the sinking fund.

Approximately 80% of Pittsburg, Bessemer & Lake Erie RR. common stock and 80% of its preferred stock is owned by United States Steel Corp. and all its properties are leased to Bessemer & Lake Erie RR. for a term of 999 years beginning April 1, 1901. All of the stock of the Bessemer is

owned by United States Steel Corp.

Pittsburg, Bessemer & Lake Erie owns approximately 179 miles of road extending principally from Conneaut, Ohio on Lake Erie to East Pittsburgh, of which 171 miles are operated under lease by Bessemer and 8 miles under sub-lease by Union RR. Dividends are paid regularly on the stock of Pittsburg (at 6% on the preferred and 3% on the common) in the total amount of \$419,976 per year by Bessemer as part of the rental for the lease of the properties of Pittsburg.

Bessemer is one of the principal carriers of iron ore in the United States, transporting it from Conneaut, Ohio principally to its connection with the Union RR. at North Bessemer, Pa., for delivery to the Pittsburgh district. It also transports large quantities of coal, coke and limestone. Dividends have been paid on the capital stock of Bessemer in each year beginning with the year 1904, through the year 1945, except in the years 1905, 1907, 1908 and 1932.

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(Special to THE FINANCIAL CHRONICLE)  
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## Sees a Labor Reaction Against Strikes

Henry H. Heimann, Executive Manager of National Association of Credit Men, holds change of attitude of rank-and-file of labor is good omen and augurs better business and credit outlook. Sees return to qualities of statesmanship in public affairs.

Pointing to a noticeable reaction by the rank and file against strikes, and, to the fact that labor leaders are being called to account for work stoppages, Henry H. Heimann, Executive Manager of the National Association of Credit Men, says in his Monthly Business Review for December that 1947 portends a much better overall labor-management relationship. While labor recognizes the benefits of unionization, the head of the credit and financial executives says that the average worker seems convinced that full work at fair pay is much more desirable than long weeks without pay-days during strikes called by ambitious labor leaders. These opinions expressed by more and more of the men who pay the union dues may have a beneficial effect in the months ahead, he declares.

"There is a genuine recognition by industrialists of their past labor mistakes and they are planning to avoid these in the future," Mr. Heimann says. "At no time in the history of business has so much sound thinking and programming been scheduled, all directed toward a better labor-management relationship and, consequently, toward better production. This is a real asset."

Another improvement named by the credit executive is a return to the qualities of statesmanship in public affairs with a decline in the potency of mob psychology. This recent trend he points out is a possible asset for our nation's economy.

"We will have a good agricultural market for at least two years," Mr. Heimann says. "Agriculture accounts for between a



Henry H. Heimann

fourth and a fifth of our population and its buying power is tremendous. It is a distinct asset that agriculture now is in a position to buy, and proper investments by agriculture will ensure its holding its own in the more open competition ahead.

"This nation has taken seriously the leadership it has earned or has had thrust upon it. It is earnestly trying to discharge this responsibility. There is a grim determination throughout industry and by many individuals that we must not fail. The effect of this upon the morale of the nation is bound to assert itself.

"There is a recognition that governmental war powers must end and steps in the direction of removing regulations are helpful in building a free atmosphere in which business may breathe.

"The needs of the people all over the world are such that we should use every means to supply them in such a way that our action in this respect will be helpful and not harmful. This situation, a tremendous liability abroad, can be both a spiritual and a business asset for this nation. Leaving out the business value of our meeting this responsibility, the spiritual satisfaction that will come through helping our fellow men will make our very best efforts exceedingly worthwhile."

The recent portal to portal pay decision will have a sweeping effect in many large industrial plants, Mr. Heimann warns. Although this point of contention was first brought up in the mining industry, it already has been seized upon by some labor leaders as applicable to any large plant where the entry gate is a long distance away from the actual work bench. Should this application of the portal to portal pay decision become general, it will add heavy extras on industry's payroll and thus increase the ac-

tual cost per hour of production, Heimann warns.

Some of the favorable factors for 1947 were listed by Mr. Heimann as follows:

"First, our great productive capacity could be a real asset. We need trained and efficient sales forces to distribute our goods. We need well-planned credit expansion to develop consumer buying. We need heavy production per capita to insure unit values that will move merchandise. The demand for goods, though quite overstated in many lines, is nevertheless larger than it has been in years. If this demand is supplied, our great productive capacity will be a tremendous asset. It will supply needed wants here as well as in the rest of the world.

"We have labor skill en masse that is vastly superior to that of the rest of the world. This is a distinct asset, if we turn it to full production.

"This nation has ample credit for its postwar production. At the present time we are the only nation that can really afford to export capital, goods and food. If we use credit in this respect with discretion we will do much to stabilize the world.

"We have a confidence born of our participation in the war. It is an optimism that has always been a part of our nation; but the war has confirmed it. We have a group of young men and women who intend to do things and to make progress. Most of our young people are anxious to get started. If they receive recognition and their efforts are appreciated and if opportunities are made available to them, they will pull this nation through. They have demonstrated their ability in the war in a convincing manner."

## New Congress Must Abolish Industrial Class Warfare: Rukeyser

The new Congressional majority will have an opportunity next month to remove the legislative causes of class warfare in American industry.

This view was expressed at Town Hall, in New York City, Dec. 12 in an address by Merryle Stanley Rukeyser, economic commentator for International News Service and well-known lecturer in one of a series of lectures on "Labor and Management—in the Atomic Age."

"It would be a mistake," Mr. Rukeyser declared, "to expect more than negative results from new legislative enactments in the field of labor relations. Harmonious human relations within industry cannot spring from statutes, but must result from the initiative among the various groups in industry. The need is to eliminate the bias in the Wagner Act which discouraged forward looking management from initiating human benefits. The effect of this was to freeze conditions until changes were demanded by the unions."

"Yet the long record of industry through the decades has shown a broad opportunity for enterprise by management in volunteering to improve working conditions.



Merryle S. Rukeyser

"Management should be leery of industrial relations counsellors who offer a static formula for industrial peace. No fixed set of circumstances will preserve the status quo in a dynamic field of human relations, where nothing is permanent except change. Workers should be encouraged to continue to expect more and better things through the decades in exchange for a week's work, and such economic miracles can be delivered if labor and management cooperate in elimination of economic waste and in the continuous improvement of techniques of production."

"On the other hand, featherbedding, restrictions on output, and slowdowns are anti-social. Those bad habits cheat workingmen in their second role as customers of the goods and services produced by their fellow workers."

Mr. Rukeyser advised management to show sympathetic interest in the current problem of balancing the worker's family budget in the face of inflationary pressures. He said that it behooved management to clarify the causes of inflation, and advised management to induce cooperation by workers and other groups to present a united front in demand at the seat of government for fiscal and monetary changes needed to eliminate the causes of inflation.

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## Mutual Funds

By BRUCE WILLIAMS

### What's Below the Surface?

"No one would think of diving into a pond of water without knowing what's below the surface—and yet that is just what some people do when they buy securities without knowing what's behind their investments. Do you know the resources, the management, the current earnings and earnings trend of the companies whose securities you own compared with competing companies in the same industries?"

"Many people buy securities with less care and thought than they would take in buying an overcoat or a car. Yet, their investment purchases usually involve considerably more money and require more careful investigation to avoid mistakes."

"Successful investing requires (1) careful investigation and proper interpretation of economic and political factors in selecting investments and (2) continual supervision of the investments by experienced investment specialists."

"As companies adopt new materials and methods of production to reduce costs and improve their competitive position, some companies gain and others lose in the contest for the buyer's dollar. This competition will increase in many lines as consumer needs are filled."

### Cost of Living

National Securities & Research Corp. analyzes the Government's Consumer Price Index in the current issue of "Investment Timing."

The Index is charted from 1939 to date and shows a gradual rise of about 30% in prices up to the beginning of this year and a much sharper rise during the first 10 months of 1946. Average "cost of living" prices are now about 50% above prewar as measured by this index. The analysis concludes:

"Because of the magnitude of the work involved in constructing the Government's Consumer's Price Index it no doubt will continue to be the measure of the cost of living in this country, and hence is likely to reflect the rate of change in the future. With

most controls removed and the natural economic law of supply and demand reasserting itself, production should cure shortages. Consequently the price of such items as food and clothing should decline; there probably will be a small percentage advance in rent, with but minor adjustments upward in electricity, gas, and fuel. It seems to us, therefore, that this Index in the near future will reach its peak, and thereafter the trend may be expected to be downward."

### London Stock Prices at Peak

A recent letter from the management of Incorporated Investors reviews the general business outlook and calls attention to the recent action of security prices in London.

"Common stock prices in London, it will be recalled, declined rather sharply during the month of September. A recovery set in early in October which has continued with only minor interruptions up to the present time. The London Financial Times' index of industrial stocks has now recovered all its decline and has exceeded slightly the high record level reached last July. This does not necessarily have any close connection with the level of security prices in this country except that it suggests that at the present time British investors regard a serious international crisis as highly improbable."

### Railroad Equipment Stocks

Distributors Group in a current "Railroad Equipment News," summarizes the position of the Rail Equips as follows:

"Shortages of steel, lumber and other materials has made 1946 a bad year for most railroad equipment companies. Earnings, and dividends, fell; and the market prices of their common stocks declined correspondingly."

"Since the total railroad equipment produced in 1946 was less than the amount scrapped, the backlog of equipment orders re-

main high. 1947 should be an extraordinarily profitable year for railroad equipment companies and for buyers of their shares at present levels."

### Investment Company Reports

**Affiliated Fund**—After reduction of bank loans from \$9,500,000 to \$5,000,000 during the fiscal year, Affiliated reported total assets of \$25,098,013 as of Oct. 31, 1946. Net asset value of the common stock was \$20,098,013. At the close of the fiscal year, investments were 92.0% in common stocks, of which industrials accounted for 76.2% of the total.

**Manhattan Bond Fund**—Total net assets at the end of the fiscal year on Oct. 31, 1946 were \$23,342,758, equal to \$7.94 per share. The report shows investments in bonds of 44 different corporations with the largest individual holding representing 5.24% of net assets.

**National Securities Series**—Aggregate net assets of the nine Series as of Oct. 31, 1946 amounted to \$37,671,169. **Preferred Stock Series** and **Income Series** were largest with net assets of \$9,128,399 and \$8,861,752 respectively.

**First Mutual Trust Fund**—Net assets on Oct. 31, 1946 were \$4,831,937, equivalent to \$5.66 per share.

**Dividend Shares**—Report for the fiscal year ended Oct. 31, 1946 showed total net assets of \$52,304,498, equivalent to \$1.42 per share.

**Axe-Houghton Fund**—Net assets on Nov. 30, 1946 were \$5,918,709 divided as follows: cash items, 9.9%; bonds, 1.6%; preferreds, 14.0%; commons, 74.5%.

**Bond Investment Trust**—Net assets on Nov. 16, 1946 totaled \$6,836,896, equal to \$105.78 per outstanding trust unit.

### Dividends

**Incorporated Investors**—A dividend of \$1.50 of which \$1.25 is from net capital gains and 25 cents from net investment income, payable Dec. 24, 1946 to stock of record Dec. 11.

**Fundamental Investors**—A dividend of 80 cents per share from realized security profits payable Dec. 24, 1946 to holders of record Dec. 12.

**Selected American Shares**—A dividend of \$1.41 per share, of which \$1.25 is from net capital gains and 16 cents from ordinary income, payable Dec. 28, 1946 to holders of record Dec. 14.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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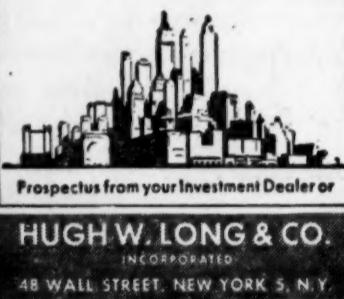
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## Massachusetts Investors Trust

## Banks in Consumer Credit Field

By JOHN LUCAS\*

Vice-President, Peoples Pittsburgh Trust Co.

Mr. Lucas points out banks became interested in consumer financing only during last decade and describes part taken by American Bankers Association in promoting this field of credit operations. Concludes banks are playing increasing part in consumer credit and must be reckoned with in years to come, but warns they must handle it with intelligence and soundness and refrain from improper competitive practices.

I have been asked to discuss "The Place of Banks in the Consumer Credit Field." Banks had comparatively little of this business as early as 1931, 1932 and 1933, but beginning in 1934 their volume began to expand and reached a peak of \$784,000,000 in 1941. Naturally, following Regulation W the volume declined to a low of \$311,000,000 in November, 1943.

Today the volume is over the \$800,000,000 mark. From 1933 to Regulation W, Aug. 9, 1941, other companies, including credit unions, industrial banks and small loan companies, likewise experienced an increase in volume.

Consumer credit is a comparatively new subject in American banking although many banks have been engaged in the business for several years—some, in fact, as early as 1924. The real participation began within the past decade and most banks generally have indicated interest in the business in some form or another.

The early participants demonstrated that the lending of money, or the buying of installment contracts, payable on a monthly basis, could be profitable if the business were handled wisely. Some of the early participants went into the field of installment finance companies, personal finance companies or Morris Plan bankers for men to head up their departments. Some few bought the entire control of some of the smaller automobile finance companies in order to obtain trained personnel. This was neither desirable nor permissible in most instances, because of certain legal technicalities.

Other banks decided to build up their departments slowly with a head of the department qualified to train their own employees as needed. Following the stock market crash of 1929, banks found it difficult to obtain sufficiently sound commercial loans, competition from other lending agencies arose and the situation became serious from an operating as well as an income standpoint.

Banks had the alternative of buying low-rate government securities and commercial paper or cultivating some of the sources of income neglected in the 1920's, but later available in the 1930's. Government finance agencies were making their appearance and finance companies had encountered the unfortunate 1929-1933 period along with banks. The banker recognized he had in most cases solicited the checking and savings accounts from the public. He made loans when the collateral or financial statement justified it. He also noticed hundreds of checks pass through his hands payable to instalment finance companies, personal finance companies, employee loan companies, Morris Plan banks, credit unions—Federal and State—and even pawnbrokers and unlicensed lenders. In many cases these checks represented payments on instal-

\*Paper read by Mr. Lucas before Northern N. J. Chapter, American Marketing Association, Newark, N. J., Dec. 11, 1946.



John H. Lucas

ment obligations, payable over a 12 to 24-month and even longer period of time. Frequently, the lenders were customers of the banks and short-term loans or lines of credit were made available to them, in turn to be reloaned to the bank's own customers, the small borrower or purchaser of an automobile, refrigerator or some other desired article.

Through necessity of putting funds to work, the bank studied its customer, his borrowing habits and his possibilities as an instalment loan customer, and concluded to go into the instalment credit loan field directly, rather than indirectly through the national lenders whose financial statements justified such ridiculously low rates on their short-term paper. Moreover, the bank recognized the possibilities for a higher return on the funds employed and a smaller risk with a diversified lending policy. The survey showed that these new outlets for the use of bank funds could be developed at a profit both to the borrower and to the lending institution. The bank officials had encountered criticism of "sleeper loans" by bank examiners. Many institutions had made policy loans to corporate officers and employees and hesitated to ask for definite payments for fear of criticism by corporation officials responsible for sizable company bank accounts.

Requests for payment often caused the borrower, and the company officer to take an unsympathetic view of the bank's problem. Bankers realized the examiners' criticism was justified, but usually wound up by giving some weak excuse for not insisting on payment or even reduction. This new type of lending with definite prearranged monthly reductions appealed to them. The "sleeper" was eliminated, his paying habits were regulated, he paid and did so promptly at the proper time.

To speed recovery in the early thirties the National Housing Act of June, 1934, created the Federal Housing Administration in order to stimulate business. Banks were encouraged to make loans to individuals for the purpose of remodeling, renovating and repairing homes and places of business.

Feeling it necessary to induce banks to do so, the Federal Housing Administration even went so far as to set up a 20% reserve for bank losses—later reduced to 10%—and permitted instalment payments to run for five years and 32 days. A charge of \$5 for each \$100 original face amount of the note was permissible. The Federal Government recognized that a higher rate should be obtained on a small or modernization loan repayable on an instalment basis than on a strictly commercial obligation.

Backed up by their Federal Housing Administration experience and a higher income rate, banks became interested in instalment financing and today approximately 12,000 have plans for or are already engaged in the Consumer Credit field.

Recognizing the growing need and to keep ahead of the times, the American Bankers Association created a special department for consumer credit and took over in 1940 the activities of the Bankers Association for Consumer Credit, to organize three years prior.

which I helped to organize three years prior. A national committee of nine men, to operate under the direction of the Consumer Credit Department of the American Bankers Association, was appointed. I was a member of the first American Bankers Association Consumer Credit Committee and was later requested by Dr. William Irwin to write the text on Consumer Credit for the American Institute of Banking.

I had conducted several years of research in the subject for my own institution in 1935 and directed our own bank activities in the Consumer Credit field along with our commercial credits.

The banks are playing an increased importance in the Consumer Credit field and must be reckoned with in the years to come. The banks must handle the business with intelligence and soundness and refrain from improper competitive practices. Unless the bank is willing to install proper systems and procedures, either hire or develop competent management and conduct its Consumer Credit affairs along sound and ethical lines, it had better keep out of this extremely competitive field and leave it to those who have been engaged in the business for years and have the "know how" and proper background and training to handle the business on a sound basis.

### Milwaukee Company Re-elects Officers

MILWAUKEE, WIS.—Joseph T. Johnson, president of the Milwaukee Company, 207 East Michigan Street, underwriters and distributors of investment securities, announced that at the annual meeting of the company, the officers and directors were re-elected, and, in addition, William G. Martin, Addison Hauigan, and Carl G. Hausmann,



Joseph T. Johnson

formerly officers of Morris F. Fox & Co., were elected vice-presidents of the company. The Milwaukee Company in October employed the personnel of Morris F. Fox & Co., which withdrew from the investment business.

At the directors' meeting a dividend of \$2.50 a share was declared on stock of the Milwaukee Company, payable Jan. 2, 1947.

The directors of the company who were re-elected are Joseph T. Johnson, Alexander M. Kailing, J. A. Keogh, Earl Pryor, Clifford A. Randall, Thomas H. Spence, Herbert C. Wuesthoff and Paul S. Grant.

### Campbell, McCarthy & Co. New Firm Name

On Jan. 1, Thomas G. Campbell & Co., 67 Wall Street, New York City, members of the New York Stock Exchange, will admit Albert G. McCarthy, Milton A. Prince, and Philip J. Byrne to partnership, and the firm name will be changed to Campbell, McCarthy & Co. Mr. Byrne was previously with Shoellkopf, Hutton & Pomeroy. Mr. Prince was with Frank C. Masterson & Co., and in the past did business as an individual curb floor broker.

Mary E. Campbell will retire from limited partnership in Thomas G. Campbell & Co. on Dec. 31.

## Colmer Committee Sees No Need For Depression

House Special Committee on Postwar Economic Policy sees no need for business slump and predicts a better balanced, constructive and not punitive, governmental policy with respect to labor relations. Says there is nothing wrong with economic situation that hard work and resultant production cannot cure.

Asserting that high industrial production is the key to national prosperity, a strongly urged full-fledged labor-management teamwork to prevent a serious business slump.

The House Special Committee on Postwar Economic Policy and Planning, under the chairmanship of William M. Colmer (D-Miss.), declared that strikes have greatly hampered the country's reconversion progress and recommended that Congress take prompt action to achieve a "better balanced governmental policy with respect to labor relations."

"Corrective" but not "punitive" labor legislation, the group added, is mandatory to assist the nation in maintaining high employment.

Chairman Colmer in presenting the report amplified on the Committee's statements with reference to industrial strife. He said: "The repetition of such unfortunate instances as the recent coal strike should not be permitted, since no economic plan of Congress or the



Wm. M. Colmer

business of the country are worth anything if the country is to continue to be stymied by such paralyzing blows as the recent coal strike. Our whole economy, private enterprise system, and the sovereignty of the state are at stake."

The Committee, repeatedly emphasizing that productivity is the real solution for many of the nation's economic problems, called for "active cooperation between management and labor to eliminate immediately the current difficulties so that we can avoid a recession."

The report pointed out that the United States has the greatest buying power and the largest demand for goods in its history. "There is nothing wrong with the country that hard work and resultant production will not cure."

The Committee's Eleventh Report covered a wide field of recommendations concerning the nation's economy, including employment, surplus property, public works, construction, finance, budget, taxation, agriculture, war controls and foreign economic policy.

Created in 1944, the bi-partisan group has conducted extensive hearings and made exhaustive

(Continued on page 3251)

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## Canadian Securities

By WILLIAM J. MCKAY

From the multilateral viewpoint the Canadian dollar figures in the category of scarce currencies. Short range considerations therefore, can provide sufficient justification for the raising of the Canadian monetary unit to parity with the U. S. dollar. Although Canadian policy has hitherto been based on long range fundamentals, the recent departure from a characteristic course of action can well be vindicated as a measure of expediency.

With the exception of this country, Canada is in a generally strong creditor position vis-a-vis the rest of the world and this situation has been temporarily offset only by the extension of foreign credits. For immediate purposes therefore and in view of transcendent importance of currency relations with this country, the Dominion can point to the current advantage of cheaper essential imports from its principal supplier.

Moreover, as the initial stage of operation of the International Fund is approached and multilateral conversion of currencies becomes a practical matter, Canada can now look forward to the exchange into U. S. dollars of a portion of her blocked foreign assets. Also in entering the Fund with its currency at an enhanced valuation, the policy of the Dominion is in line with that of the majority of the other members, who have certainly not erred on the side of undervaluation.

The recent shuffle in the Canadian Cabinet, whereby Finance Minister Ilsey has become the Minister of Justice and the Defense Minister Douglas Abbott has taken over the Finance portfolio, does not suggest any change of financial policy. On the contrary, it might lead to stronger action in consolidating the currency position. The free exchange market in New York has always presented an anomalous situation. The turnover in this market constitutes only a mere fraction of the Dominion's volume of foreign ex-

change transactions but, its day to day importance in foreign eyes has equaled if not surpassed that of the official market.

In spite of its actual minor role, the free rate rather than the official rate has been considered as the barometer of the Canadian economy and at times it has reflected badly on Canadian credit. The level of free funds now is a case in point. With the official rate at par the free rate hovers rather weakly in the neighborhood of 5% discount.

This state of affairs must be somewhat embarrassing to the Canadian authorities affording as it does a practical although superficial contradiction of their recent step. Consequently, it would be not only in an effort to remove an irritating anomaly but also in line with operational policy in connection with the International Fund if the Canadian dollar in the free market were brought in stricter relationship with its official valuation. In projecting the picture a further stage it would be both practical and logical to foresee ultimately not two markets at varying levels but a single market at the official rate with fluctuations within the limits fixed in accordance with the provisions of the International Fund.

During the week the predominant feature of the securities market was year-end selling on a larger than usual scale. Its impact fell principally on internal bonds and stocks. As a result of arbitraging operations in stocks whereby stocks were exchanged in Canada for bonds, there was a double pressure on internal Dominions and the longest term 3s weakened to 98. The external section was little affected and there was only slight activity with prices mostly unchanged. There was further discussion concerning another effort to market a Montreal refunding issue in this country, but it would appear that the city would be better served in placing the entire operation on the Canadian market.

With regard to future prospects it is likely that the internal section will continue to monopolize the general interest. In view of the widening discount and the inherent exchange possibilities the internal Dominions are beginning to appear in the category of attractive investments.

### Holt & Hogan Partners In Thomson & McKinnon

Henry Holt, Jr. and Denis M. Hogan will become partners in Thomson & McKinnon, members of the New York Stock Exchange on Jan. 1. Both will be located in the Indianapolis, Ind. office, 5 East Market Street. Mr. Hogan has been with the firm for many years.

## Chicago Stock Exch. Elects New Officers

CHICAGO, ILL.—At the Annual Meeting of the Chicago Association of Stock Exchange Firms and the meeting of the Board of Governors of the Association the following officers and Governors were elected:

Chairman: Reuben Thorson, Paine, Webber, Jackson & Curtis. Vice-Chairman: Patrick F. Buckley, Harris, Upham & Co.

Treasurer: W. C. Karlson, Lamson Bros. & Co.

Secretary and Assistant Treasurer: Whitney M. Sewart.

Governors, to serve three years: Howard E. Buhse, Hornblower & Weeks; William A. Fuller, William A. Fuller & Co.; William D. Kerr, Bacon, Whipple & Co.; Thomas E. Murchison, Paul H. Davis & Co.

Members of nominating committee—to serve one year: Harry A. Baum, Wayne Hummer & Co.; Ralph Chapman, Farwell, Chapman & Co.; Stephen Y. Hord, Brown Bros., Harriman & Co.; Leonard J. Paidar, Goodbody & Co.; Fred W. Fairman, Jr., Fred W. Fairman & Co.

## Colonial Trust Appoints Poitras as Officer

Arthur S. Kleeman, President of Colonial Trust Company, has announced the appointment of Warren A. Poitras as Assistant Secretary and Assistant Treasurer. Mr. Poitras, who recently returned after four years' service as a Special Agent in the Counter Intelligence Corps of the United States Army, is in the Correspondent Bank Division of the institution. He is a member of the Young Men's Board of Trade of New York, and Chairman of the National Opinion Forum Committee.

Mr. Kleeman also announced the appointment of John Dowling as an Assistant Manager in the Foreign Division. Mr. Dowling was for many years in the Foreign Department of the National City Bank, and during the war he served as a Chief Yeoman in the United States Navy.

## Curtiss, House & Co. to Admit Rudford Wilson

CLEVELAND, OHIO—Curtiss, House & Co., Union Commerce Building, members of the New York and Cleveland Stock Exchanges, will admit Rudford K. Wilson to partnership in the firm on Jan. 1. Mr. Wilson has been with Curtiss, House & Co. for many years.

## B. W. Boas Heads Dept. Of Stanley Heller Co.

Stanley Heller & Co., 30 Pine Street, New York City, members New York Stock Exchange, announce that Ben W. Boas, formerly with Ernst & Co., has become associated with them as manager of their investment department.

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## Sees Better Oil Outlook Under Free Market

Merle Thorpe, in pointing out a new era of competition, holds petroleum industry is in fortunate position because of expanding use of its products. Urges producers to work for further increase in use of petroleum products through revitalized promotion and sales departments.

The petroleum industry should get ready now for a new era of competition which is in the offing once the hazards of reconversion



Merle Thorpe

guishers. Acids, alcohols, solvents, medicines, acetones, insecticides, plastics and detergents, asphalt and road oils are other useful items.

There is great danger, the association was warned, of being misled into complacency by the rosy picture of what industry can produce, and by consumer polls which point to a demand for products. Our planners stress the productive potentialities of the nation, but neglect the most important factor, which is simply that productive capacity is useless unless there is a demand for products. As for the consumer polls, they are concerned only with products already accepted as necessities or conveniences of American life, and these products will not alone provide the increased national income we are seeking.

Mr. Thorpe urged that the petroleum industry give heed to the story of the food industry. There was a time when this industry thought only in terms of such staples as meat and bulk cereals. It appeared to have a limit fixed by the needs of the public which were dictated by hunger alone. Then the food industry turned to packaging, and to new products. The public palate was delighted by prepared foods in great variety. Developments in transportation and refrigeration were utilized to create and fill a demand for exotic and out-of-season foods. The amount spent for food doubled and trebled, even though the American stomach grew no bigger.

The petroleum industry was pictured as in a fortunate position, in the face of this predicted competition, if it will only see the challenge and grasp the opportunities it has to offer. Once looked to only as the source of fuel, grease and wax, there is now no limit which can be set on the possibilities of a drop of oil. Already it has produced an amazing variety of marketable products, ranging from dynamite to beauty aids. From it are obtained rayon dresses, freezing compounds, fertilizers, vitamins and velvets, brushes, plastics and plumbing supplies, unbreakable glass, and hundreds of other items, each of which provides the basis for another profitable enterprise.

Each

time the nation faces a depression, Mr. Thorpe reminded his hearers, there are those of us who pray for another "automobile industry" to pull us out. But we forget two things. One is that an automobile industry does not spring up overnight. It took years for leaders of the industry to get their products accepted. The second thing we forget is that we can get the same, or better results, by developing a hundred small new industries which will fit more readily and rapidly into the national economy.

The petroleum industry, through research and marketing, has gone a long ways toward building these many small and basic producers, but it can go a great deal further. It has converted waste gases into cooking fats, ammonia, resins, rubber substitutes, ink and paints, anti-freeze, glycerine, ether and explosives. Proving the limitless capacities of oil, it has used the same source to counter destruction caused by explosives and inflammables, by using oil to obtain the ingredients for fire extin-

In doing this the industry will not only be serving its own interests, but it will be contributing. Mr. Thorpe pointed out, to social values, for while our material well-being cries out for this course of action, there is a deeper significance in the spiritual qualities to be preserved in our Republic.

Mr. Thorpe made a strong appeal for the maintenance of freedom of choice in free markets. In these days of planning, he said, there is one way in which a citizen can put any plan to the acid test: Does it arbitrarily create a social and economic order in which the individual will be molded into subordination? Or does it provide for the making of men and women who are themselves competent and well-disposed to exercise freedom of choice in politics and economics? "On this decision," the speaker concluded, "will depend whether the dignity of the individual is to be preserved; whether a great tradition of the American Republic is to be upheld. The times are heavy with apprehension, for if this tradition is lost to America, it will be lost to the world. It will be a tradition without a country."

## New York State Mortgage Loans Expanding at Lower Interest Rates

Elliott V. Bell, Banking Superintendent, ascribes lowest interest to limit of 4% on GI Loans and to increasing competition of lenders. Net expansion of real estate loans by state savings and loan associations in 1946 amounted to \$46.8 millions.

The cost of mortgage money has continued to decline in New York State this year, thus providing a strong contrast to the rising trend of costs in nearly every other section of the economy, Elliott V. Bell, Superintendent of Banks, stated on Dec. 16 in addressing the mid-winter conference of the New York State League of Savings and Loan Associations.

Mr. Bell said in the face of the largest volume of mortgage lending in this state in a decade, the average rate at which new mortgage loans were made by the state-chartered savings and loan associations declined to 4.35% this year from 4.98% in 1945. In 1942 the average rate on new mortgage loans of these associations was exactly 1% higher at 5.35%.

"The decline in the average rate on new loans this year," said Mr. Bell, "can be laid primarily to two factors. First, the large admixture of GI mortgage loans, bearing a 4% rate, not only pulled the average rate down on its own account but also tended to force the rate down on conventional loans as well. Second, the competition for available loans was keen and lenders were inclined to quote lower rates in the hope of attracting mortgage investments."

After pointing out that the total holdings of mortgage investments of banking organizations of this state would show an increase this year for the first time in ten years, the Superintendent said:

"The rate at which new mortgage loans have been made, however, provides still more striking evidence of the resumption of mortgage lending. The banking institutions under the Department's supervision have recently supplied information in a special report on their mortgage loan activity in the year ended last September 30.

"These institutions made new mortgage investments in 1945 of \$330,000,000. In the first nine months of this year, however, the new mortgage loans made amounted to \$470,000,000, or at an annual rate of nearly \$600,000,000. Thus the making of new mortgage investments has nearly doubled in 1946.

"A breakdown of the figures shows that in the year ended September 30, all classes of mortgage lending institutions under the Department's supervision made \$569,000,000 of new mortgage loans. This total was made up of \$36,800,000 of FHA loans, \$128,000,000 of veterans' loans and \$404,000,000 of conventional loans. The large total of GI home loans which these institutions are making is testimony to their public spiritedness. In helping veterans to obtain housing the savings and loan associations made \$37,000,000 of GI home loans, or 29% of the total. The associations made \$70,000,000 of conventional new mortgage loans, or 17% of the total.

"The data gathered by the Department show that loans on one and two-family dwellings constituted the major share of mortgage lending volume in the year. Loans on the smaller residential properties, of course, represented almost the entire volume of savings and loan associations. The purchase of almost 1,000 new small residences



Elliott V. Bell

was financed by the associations, in an amount totaling \$5,238,000. In addition, savings and loan associations supplied the mortgage money totaling \$93,400,000 for 21,839 of existing one and two-family residences.

The principle of amortization payments is now so widely included in mortgage contracts that a growing proportion of new mortgage lending is required to hold institutional mortgage portfolios on an even keel. Even though new mortgage loans of these institutions totaled \$470,000,000 in the first nine months, the net rise in mortgage portfolios amounted to only \$175,000,000. Savings and loan associations accounted for \$46,800,000 of this expansion in real estate loans outstanding.

The year in mortgage lending has been distinguished also by the further decline in the average rate of interest borne by the new loans made. The average rate of interest charged on all types of loans during this period was 4.35%, compared with 4.98% in the same period last year. The 1946 rate is a full 1% under the average rate at which the associations made loans four years ago.

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## Gilmour & Passmore M. Lowenstein Dirs.

Lloyd S. Gilmour, Senior Partner of Eastman, Dillon & Co., and Roy H. Passmore, Vice-President of Guaranty Trust Co., of New York, have been elected directors of M. Lowenstein & Sons, Inc. (textiles).

Mr. Gilmour is a Director of Minneapolis-Moline Power Implement Co.; Farnsworth Radio and Television Corp.; Pacific Western Oil Corp.; U. S. Plywood Corp.; Suburban Propane Gas Corp. and Allerton, N. Y. Corp. His firm, Eastman, Dillon & Co., headed the underwriting group which sold M. Lowenstein & Sons preferred and common stocks last March. This was the initial public distribution of securities of this cotton goods house which had been a family concern since the business was established in 1889.

Mr. Passmore is identified with the General Banking Department of the Guaranty Trust Co., and is a Director of the Kennedy Valve Manufacturing Co.

## Robert J. Foley Now With Kaiser & Co., San Francisco

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, CALIF.—Robert J. Foley has become associated with Kaiser & Co., Russ Building, members of the San Francisco and New York Stock Exchanges. In the past he was with Bankamerica Co., and Donnellan & Co.

## With Edward D. Jones Co.

(Special to THE FINANCIAL CHRONICLE)  
ST. LOUIS, MO.—Fred R. Kinsley is now connected with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and St. Louis Stock Exchanges.

## With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)  
KANSAS CITY, MO.—Dean F. McWhorter has joined the staff of Merrill Lynch, Pierce, Fenner & Deane, 1003 Walnut Street.

## Cleveland Trust Company 1947 Predictions

In its "Business Bulletin" for December, Bank forecasts nine developments in coming year on basis of current trends.

The December issue of the "Business Bulletin," published by the Cleveland Trust Company of Cleveland, Ohio, after reviewing economic conditions in current years, states "the following predictions seem at the moment to be justified by the evidence currently at hand":

1. The commodity price level will decline in 1947 possibly about 10% from current levels. Deflation, rather than inflation, will be the worry both of political and industrial leaders.
2. The extent of the market decline and the duration of the bear market will be determined largely by the degree to which adverse factors can be constructively and satisfactorily resolved.
3. Money rates will continue to be easy and high grade bond prices generally will hold fairly close to the average prices of 1946. The interest of the government in keeping long term governments at par will be the dominating factor in the money market for most of the year.
4. Agricultural income will decline from 10 to 15% from current levels, and the next Congress will probably be almost if not quite as much concerned with price floors as the last Congress was with price ceilings.
5. Farm land prices will decline and so also will residential urban property. The readjustments in real estate prices will entail mild distress by comparison with that of two decades ago.
6. With construction costs more than 50% above prewar levels the outlook for the building industry is unfavorable. Unless prices and costs can be considerably reduced through elimination of delays the building industry will continue to lag and solution of the problem of the housing shortage will be almost as remote at the year end as its beginning. It goes without saying that the con-

struction industry and all capital goods industries will be enormously affected by the manner in which current labor troubles are settled.

7. The motor car industry will do better in 1947 than it did in 1946, as much as 25% better if it can bring costs under control and once again avail itself of the economies of mass production. Here again the labor factor and, as a result of it, the materials and parts factors, are likely to be dominant.
8. Commercial bank deposits are likely to remain close to the levels of 1946. Public debt reduction will be small, while the trend of loans will move largely with commodity prices and general business. A moderated upward trend of savings deposits is likely to continue.
9. Normal commercial foreign trade will be disappointing. The foreign nations with which our trade heretofore has been heaviest will not be able, except possibly the Dominion of Canada, to rehabilitate their export industries and reestablish their foreign markets. Foreign lending of the kind that sustained our markets abroad in the decade following the first World War is not in prospect.

From the foregoing comments and forecasts a few simple conclusions may be drawn.

The first of them is that the economic fortunes of the nation in the year ahead, and probably for a considerably longer period, will turn primarily on matters of labor relations and trade union policy.

A second and related conclusion is that without greatly increased productivity and lower unit costs it is not reasonable to look forward to full production and restoration of the conditions which make for a rising standard of living.

*This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus.*

### NEW ISSUE

\$9,861,000

## Eastern New York Power Corporation

First Mortgage Bonds, 3 1/4% Sinking Fund Series due 1961

Dated December 1, 1946

Due December 1, 1961

Price 102% and accrued interest

*Copies of the Prospectus may be obtained from any of the underwriters only in States in which such underwriter is qualified to act as dealer in securities and in which such Prospectus may legally be distributed.*

The First Boston Corporation

Smith, Barney & Co.

Merrill Lynch, Pierce, Fenner & Beane

## Problems in Business Recovery

By CARL D. SMITH\*

Director of Education, National Association of Credit Men

Dr. Smith lists as problems: (1) labor-management relationships; (2) industrial stagnation; (3) technological readjustments; (4) curbing of inflationary trends; (5) streamlining sales organizations; and (6) reformed fiscal policies. Foresees improved labor situation through remedial legislation and predicts there will be no substantial business recession or industrial stagnation. Points out technological improvements will mean new products, new processes and new ideas, and with more production and balanced Federal budget prosperity lies ahead.

We are meeting here today at the most critical period in our nation's history. We are in the midst of a world revolution. This is



Carl D. Smith

sible effects than in other parts of the world. We are seeking to re-establish economic order out of the dislocations of the war period. I do not need to remind you of the significance of the problems in business recovery to be met by the business men of this country, for you have these problems on both your front and your back doorsteps. They are realistic problems and you cannot solve them by wishful thinking; they must be met with a full recognition of all the facts surrounding them.

I shall confine myself to a few of the more pertinent problems which face us in the readjustment of our economy from a war to a peacetime basis.

### Labor and Management Relationships

Currently, the most critical and most pressing of all these problems is that of labor and management relationships. For the past 12 or 13 years we have been building up the setting for this problem. We are now reaping what we have been sowing during these

\*An address by Dr. Smith before the Motor and Equipment Wholesalers Association, Atlantic City, N. J., Dec. 6, 1946.

years. Today ONE MAN is defying the Government and our Nation. Not only is he defying the Nation but he is endeavoring to tear down the structure of our democratic system. The fundamental question which we face is whether we have or have not learned worthwhile lessons from Hitler, Mussolini and Tojo.

Mr. Lewis lost the strike because he challenged the power of the United States as a nation. This is a dangerous procedure for any one man to pursue, for in challenging the Nation he is challenging 140,000,000 individuals. While he may assume that he has 400,000 individuals backing his challenge, that assumption can be extremely dangerous, both for the one man and his followers.

Mr. Truman for once listened to good advice and his resolution has been of deep comfort to the country. After months of vacillating and appeasement he has demonstrated that his past record has been due not to weakness but to misinformation and misplacing of faith. Even the New Deal Senators who were opposed to the Case Bill a few months ago are now showing signs of impatience to re-commence such legislation. They envision the danger to our national economy growing out of the challenge of one individual to the Government and the Nation as a whole. Congress will act and it will act with force and decisiveness.

We have Mr. Lewis to thank for starting the action that is now forcing the trend. The Nov. 5 election pointed out clearly the direction of that trend and what Mr. Lewis has done since Nov. 5 is rapidly speeding the realization of the objectives of the trend toward the clarification of labor-management relationships.

The coal strike has been called off, not in deference to the will (Continued on page 3249)

## H. Cassel & Co. Will Admit New Partners

H. Cassel & Company, members of the New York Stock Exchange, 61 Broadway, New York City, will on Jan. 1, admit Frederick Maier-Jung and Helmut Schalla to general partnership and Vera Cassel to limited partnership in the firm. On the same date Karl Nathan, general partner will become a limited partner. Mr. Maier-Jung was formerly with Arthur Wiesenberger & Co.

## With Kebbon, McCormick

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Edward W. Walters has been added to the staff of Kebbon, McCormick & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges. He was formerly serving in the armed forces.

## With Sills, Minton & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John M. Haberkorn has become connected with Sills, Minton & Co., Inc., 209 South La Salle Street, members of the Chicago Stock Exchange. He was previously serving in the U. S. Navy.

## F. S. Moseley Partner

BOSTON, MASS.—Richard K. Thorndike will become a partner in F. S. Moseley & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges, on Jan. 1.

## To Be NYSE Member

Transfer of the New York Stock Exchange membership of the late Charles W. Hill to Louis H. Goldman, will be considered on Dec. 26. It is understood that Mr. Goldman will act as an individual floor broker.

## With Chas. A. Day & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Chas. A. Day & Co., Inc., Washington at Court Street, members of the Boston Stock Exchange, have added Robert M. Malpezzi to their staff.

## J. A. Warner Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—John L. McCarthy has become associated with J. Arthur Warner & Co., 89 Devonshire Street. He was formerly with Hunnewell & Co.

*This announcement appears for purposes of record only. These securities were placed privately through the undersigned, and have not been and are not being offered to the public.*

### NEW ISSUE

**\$8,000,000**

## General American Transportation Corporation

### Equipment Trust Certificates, Series 41

Dated December 16, 1946

Due serially to December 16, 1966

**Kuhn, Loeb & Co.**

December 18, 1946.

## Profits Without Responsibility: An Answer to Mr. Nathan

By SCOVILLE HAMLIN

Economist-Author

In critical comment on "CIO-Nathan Report," Mr. Hamlin contends that: (1) "ability to pay" varies from industry to industry; (2) current postwar profits and sellers' market are temporary; and (3) present boom is based on impermanent inflationary factors. Asserts increased volume of production is key to greater consumption at adequate prices. States industry lacks adequate measure of capital-labor efficiency, and free enterprise cannot carry on if income is apportioned either to labor or capital before its realization.

Acting on the findings of Robert T. Nathan Associates, Inc., the Congress of Industrial Organizations has opened its publicity campaign for a second nationwide round of wage increases. These findings purport to show that "total corporate business," on the basis of estimated earnings for 1947, can support a 25% increase in wages, without raising prices.

The payment of high wages in efficient and inefficient plants; the payment of high wages in advance of a supporting demand for goods, was not a sound basis for recovery in 1930 anymore than it is a sound basis today for bringing efficient plans into full-time operation so that wasteful overhead can be eliminated and costs and prices reduced. A sound increase in prices does not precede an increase in volume. Prices and production to be lasting must advance together and establish the income out of which increased wages and profits can be paid.

While reconversion has not been attended by the immediate deflation with 8 million persons thrown out of work as forecast in the Nathan OWMR Report in 1946, we have done nothing to date to overcome the disparity in production as between war and civilian industries.

### Increased Production the Prerequisite

It is widely agreed that increases in real wages depend upon increasing productivity; that as (Continued on page 3253)

## Rule of Men Displacing Rule of Law

By NATHAN L. MILLER\*

General Counsel, U. S. Steel Corporation

Former New York Governor, in addressing lawyers' association, asserts we have departed very far from the rule of law and are substituting rules of conduct prescribed by administrative agencies in Federal matters. Says rule of law requiring equality has been violated by statutes intentionally discriminatory, such as agricultural and labor statutes. Claims labor monopolies exist and are restricting and preventing production and sales of necessities, and contends labor anti-injunction statute puts labor organizations above the law.

Judicial work is the search for truth and the application of the law to the facts. It is impersonal. Justice is indeed blind to all but the merits of the cause. The judge who allows nothing else to influence his decisions commands respect and confidence and his fairness soon allays any temporary resentment of the defeated advocate, who can either appeal or resort to the proverbial method of relieving his feelings.

far indeed, from the rule of law, and by law I mean the law enacted by the legislative branch of government or founded on custom, not rules of conduct prescribed by administrative agencies.

I used to read the advanced sheets religiously, but we have today considerably more than a score of daily services to acquaint businessmen and lawyers with the latest rules, interpretations and decisions of administrative agencies, who make, interpret and enforce their own rules with or without legislative warrant.

So much of their work is departmental, that young lawyers do not have the same opportunity today as formerly to become thoroughly grounded in the practice of the law, and it has become more important to know the ropes than to understand administrative rules, which change from day to day and, whether so intended or not, are usually susceptible of quite different interpretations and applications.

In short, the rule of men is displacing the rule of law in Federal matters, and is gradually extend-

(Continued on page 3248)

Gov. N. L. Miller



## Export-Import Bank and Repayment Problem

(Continued from page 3205)  
 repay us even for shot and shell which had been expended on the field of battle. Simultaneously, with this insistence, we began a process of withdrawing more and more into our own shell during the 20's and later aggravated matters by raising our tariffs in the midst of a world depression and severe dollar shortage, thus making it virtually impossible for foreign countries to repay us regardless of how much they may have wished to do so. Even before the end of this war a more constructive approach was being formulated by the government, and I find little ground for fair criticism of the initiative and energy which have been displayed in the last several years. We have subscribed wholeheartedly to the United Nations concept; we have seen to it that our Allies are not required to return in kind or in money things consumed or destroyed in our common defense. We have engaged in a comprehensive relief program and we have intelligently moved in a direction which will make it possible for foreign countries to help themselves. First, there was to be UNRRA, a straight gift; then emergency reconstruction lending through the medium of the Export-Import Bank and, finally, the International Monetary Fund and the International Bank for Reconstruction and Development. With the exception of UNRRA, none of these phases of United States participation in world affairs was intended to be on a nonrepayment basis. Accordingly, I welcome this opportunity to come to Buffalo and discuss with you briefly the problems incident to repayment.

### Export-Import Bank Loans

Both the Export-Import Bank and you, as American business men, have a direct and vital interest in this problem. The Bank is required by statute to have reasonable assurance of repayment before making any loan. It is the expressed policy of the Congress that, so far as possible consistent with the purposes of the Bank, all loans shall in the judgment of the Board of Directors offer reasonable assurance of repayment. In accord with the broad concept of accepting our responsibility in world affairs on the basis of enlightened self-interest, the Bank has accepted as a basic criterion of making any loan during the initial stages of this program, need first, and has appraised reasonable assurance of repayment as far as possible on the assumption of a revival of world trade on a sound multilateral basis. If our efforts are successful, it is the opinion of the Bank that when such a trade revival occurs, none of the countries to whom we have made emergency reconstruction loans should have any serious difficulty repaying these loans. It is our further view that a satisfactory solution of the import problem must be achieved if the work of the Bank is to prove successful. This basic import problem for the United States is obviously the same as that which faces any country engaged in foreign trade, namely, over the long run it must accept imports of goods and services on a scale sufficient to provide the exchange necessary to pay for its exports both past and present. If we are ever to be repaid for the dollar foreign credits which have been advanced, it will be essential for the American people to reverse long habits of thought and recognize that under our new status as a great creditor nation, an import surplus is normal and desirable.

The long-term dollar financing involved in the rehabilitation endeavor may reach a total, during the 1945-50 period, of \$15 to \$20

billions. This includes Export-Import Bank credits of about \$3 billion; the British loan of \$3½ billion; surplus property and post-V-J Day lend lease credits of perhaps \$3 billion; International Bank credits of up to \$7½ billion; along with private loans and direct investments abroad.

Long-term dollar lending of this magnitude will mean average annual service charges of around \$1 billion throughout the 1950's and 1960's. From the standpoint of the borrowing countries, this means that they will have to develop an export surplus of approximately the same amount to meet the service charges unless this country provides them with the necessary dollars through continued private lending and direct investments abroad on a corresponding scale. From the standpoint of this country, this means that unless borrowing countries can develop such an export surplus they will either have to default on their obligations to us or drastically curtail their future imports from this country.

### U. S. Foreign Trade Patterns

There are, basically, two patterns of national behavior on the part of the United States, the choice of which will largely determine whether or not and to what extent our loans will be paid back. They are:

First—We can continue indefinitely to lend abroad and in this fashion provide dollars on a scale sufficient to avoid a net repayment problem and thus postpone the day of reckoning.

Second—We can encourage the development of an increased flow of imports into this country sufficient to enable the borrowing countries both to meet the service charges on their long-term obligations to us and also to continue to buy the products of this country on a scale essential to their and to our welfare.

I find it hard to believe that many Americans would consciously favor sacrificing our export interests or encouraging an indefinite continuance of foreign lending with little prospect of eventual repayment merely to curtail an increased flow of imports into this country. The only real hope I see for a revival of real world trade, the re-establishment of an effective multilateral trading system, and the solution of the dollar repayment problem lies in the expansion of this country's foreign trade, both on the import and the export side, and the eventual development of a normal import surplus. Our foreign trade percentage-wise may be small. It may be only 5, 7, 9% but it is my conviction that it represents the marginal difference between creating a climate in which we can have full employment, and a rising standard of living, or going backwards to a period of a lower standard of living with less production of goods.

### Expansion of Imports

The question that immediately comes to mind is: Will it be necessary to take positive steps to insure an appropriate expansion of imports or will such an expansion take place more or less automatically during the postwar period?

There are several factors operating towards an automatic increase in imports:

First, travel expenditures abroad should increase substantially in the postwar world if for no other reason than the fact that our national income has risen so substantially above pre-war levels. Some argue that this factor alone will solve our import problem; in any event, it seems very likely that this will turn out to be the most important single source of extra dollars for foreign countries.

Secondly, imports of raw materials should be at substantially higher levels as a result of higher national income and the wartime depletion of domestic supplies of many such items. Who would have thought, for example, that copper, lead, and zinc would ever have been in short supply in the United States?

Thirdly, imports of luxury and semi-luxury items, non-competitive or only partially competitive with United States products, may rise substantially with high post-war national income.

As against these considerations—although they clearly presage a larger total volume of imports in the postwar period than in the past—we must bear in mind the fact that the same circumstances of high United States national income and demand for foreign products will set in motion as great or even greater demands in foreign countries for U. S. products. Experience has already demonstrated that foreign customers will buy American goods up to the full limit of their dollar resources. It has been the relative shortage of dollars abroad and not lack of demand for American goods which has operated since the late 20's to restrict the vigor and growth of our natural export industries. Indeed, foreign countries have tended to buy U. S. goods beyond the limit of prudent financial management. The pressure to do this will be greater than ever until the ravages of war have been repaired.

Because of the above considerations, it is my conviction that we cannot afford to sit back and rely upon a fortuitous combination of circumstances to bring about an increase in imports sufficient to achieve equilibrium in our international balance sheet. I feel, instead, that we should take positive and vigorous measures to ensure an import surplus sufficient to enable foreign countries to service their dollar obligations and still continue to buy our exports in large volume. However, I am quite certain in my own mind that it is private industry and not government which must undertake the leadership in the expansion of imports. Foreign trade, because of its pioneering

and romantic nature, lends itself to the best in the American tradition of private enterprise. It is in this field, perhaps more than in our domestic production, that the U. S. opportunity lies to demonstrate to the world the true achievements of the American way of life.

### Reduction of Tariffs

I share the opinion that the principal single step that can be taken in this direction is for us promptly to reduce our tariff barriers within the framework of the authority granted by Congress in the Trade Agreements legislation. There has never been a more appropriate time for tariff reduction than now. The sooner such tariff reductions are undertaken, the more effective in promoting imports they are likely to be. As a result of the war, many of the goods on which it would be appropriate to lower tariffs are not yet back in production. Furthermore, there is a much greater flexibility in the price structure during the immediate postwar period. Under these circumstances, an increase in imports would not be at the expense of domestic production. The effect of tariff reduction would be, not to contract current domestic production but rather to minimize expansion of capacity in our less efficient industries. Our protected industries would, in my opinion, benefit from a move which caused them at this opportune time to diversify their production and direct their plans for expansion towards new lines of output.

unless it has the wholehearted support of a group such as this.

### Policy of Export-Import Bank

The Export-Import Bank has endeavored faithfully to follow the mandate of Congress that we should supplement and encourage and not compete with private capital. The policy of the Bank is directed squarely to returning trade, wherever possible, to private channels and to this end it is avoiding wherever possible the government-to-government credits in favor of so-called exporter credits in which domestic suppliers participate. But our whole objective will be defeated if private capital is not better organized than it is at present to further our activities. The period of abnormality is gradually drawing to a close. I suggested recently in an address at the National Foreign Trade Convention in New York, the possible desirability of private Export-Import Banks, trade associations, or finance corporations which will aid the Export-Import Bank of Washington in its endeavors. I am confident American business ingenuity will be equal to taking over from the government the additional burdens war has created.

It is my earnest hope that we can reach and maintain agreement on the essentials of our foreign economic policy on the same bipartisan basis free from the realm of party conflict as on our overall policy. I fully agree with the editorial statement in the New York "Times" of Nov. 13, that "the liberal trade policy of which the Hull reciprocal trade agreements may be said to be the embodiment represents neither Democratic nor Republican doctrine. It represents, rather, the doctrine of free enterprise in its international application as developed over the years and reinforced by the world's experience between the two great world wars." Times and conditions have fundamentally changed. It would be the height of folly to allow the old battle cry of "protectionism" versus "free trade" to serve as the basis for disrupting along purely party lines the well-conceived foreign economic policy through which this country is actively participating in the affairs of the world.

*This announcement is not an offer to sell or a solicitation of an offer to buy these securities.  
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December 13, 1946.

## Securities Salesman's Corner

By JOHN DUTTON

### Has Anyone Seen An Investor Lately?

As long as the high tax rates which now apply to those in the income groups ranging from \$10,000 upward are levied by a politically, class conscious government, investment in this nation's productive enterprise will be seriously retarded. We are not a nation of investors today—we are primarily gamblers for "price appreciation." Most people who buy securities don't know enough about speculation. The majority still insist upon buying stocks when everybody else is buying them. They invest when stock prices are reaching peak levels. They too often sell out when prices are low. But the SEC prates about protecting the investor. The NASD also conducts a dog watch over its thousands of member securities dealers throughout the country, so that they won't increase their mark-ups a fraction of a percent above some arbitrary amount that its officers think is proper.

Meanwhile some overrated and overpaid movie actor in Hollywood organizes a phony corporation and produces one picture. If it is a success he liquidates his shares of stock, takes his profit and calls it a capital gain which is subject to a 25% tax instead of the 80% he should pay under the law. Everybody is nuts—including the United States Federal Revenue Collector!

What do you think has happened to the individual investor who used to buy from two to five bonds a month? What has happened to the bond salesmen who used to carry a rate book and who called upon private investors and sold them bonds which would yield 5% BEFORE TAXES. The bond salesmen you see today are those who call on the banks, institutions and insurance companies. The United States Government and its punitive tax rates have put genuine American investors out of business. Who can save enough out of his earned income to buy three to five thousand dollars worth of bonds a month today? If you are in the higher income brackets why buy a taxable bond that will yield 3% before taxes? You won't have enough income left after paying your tax to buy tobacco for your pipe. So managed money, low interest rates, New Deal financial magic, and the abortive, punitive taxation levied against those who work the hardest, think the straightest and create the most, has finally laid the American investor low. He's a stock gambler now AND EVEN THEN A HOG HUNGRY TREASURY TAXES HIM TWICE. BEFORE HE GETS HIS DIVIDENDS, AND AFTER HE RECEIVES THEM.

Then if the stock market starts to advance and the poor chump begins to see some capital gains for a change, another character called Eccles runs in all out of breath and tells him that it ain't proper for him to make money. This Eccles fixes it so that he can't borrow money on his stocks from anybody to buy more stocks. In the entire country there is no other kind of property which the great all-time sucker called the American stock buyer may own that he can't use as collateral. Only his stocks which he bought and paid for with his own dough are not good collateral. Eccles hits him from one side and the U. S. Treasury from another.

Meanwhile, this courageous individual who buys stocks is asked to invest in American industry in order to create jobs and wealth and prosperity. The politicians tell him it's good for the country and the labor leaders make pious speeches about their faith in the free enterprise system. But wherever he looks he sees nothing but organized piracy, aided and abetted by a horde of spineless politicians, whose main concern is to see that they get elected just once more before the whole country blows up in one general free for all, with Phil Murray in the White House, John Lewis running the Supreme Court and Henry Wallace singing "hallelujah brother we plowed it under at last."

The IBA has just finished another convention. We also have the National Association of Securities Dealers, the National Security Traders Association, the Customer's Brokers and their Association, the New York Stock Exchange, and other financial organizations. Isn't it about time that someone got up and asked the new Congress, "HOW ABOUT PROTECTING THE AMERICAN INVESTOR?" Doesn't he have some rights too?

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## The Institutional Investor in the Dynamic Century

(Continued from page 3205)

### Security Analysis

Much of investment procedure seems to me to have a curious unreality, or even irrelevancy to operations involving so much of time with its dominant characteristic of erosion. The preponderant investment procedure is security analysis or its equivalent in mortgages. Security analysis deals with relatively short-term considerations—recent balance sheets, income accounts, present position of product in present and recent markets, apparent capacity of existing management in present environment, the present value of property. Clearly such analysis is important and necessary, and I would not for a moment suggest that it be reduced. But at its best it is a short-term technique, and relevant only to a small fraction of the time span which the preponderant part of investment covers. Indeed, the authors of the best book on security analysis say in their preface candidly that "the determination of the future prospects of an enterprise" has "received little space, because little of definite value can be said on the subject."<sup>3</sup>

This premise that the investment technique is basically not compatible with the investment function suggests that a reconciliation is needed. But the technological and other requirements of our society provide no basis to believe that the time span of investment can be shortened. The only possibility, as I see it, is the development of techniques consistent with the time span of investment.

Any exploration in this direction quickly raises the question of what other long-term commitments are made in this economy and how they are handled.

The outstanding one, and indeed the only one I know with a time span at all comparable, is the underwriting of life values by life insurance companies. And the technique of handling these commitments of long time span is vastly different than those used in investment. Of course, life underwriting uses an analogous procedure to security analysis: it considers the present physical and moral qualities of the applicant and checks the past record, usually giving attention to a longer past record than does security analysis. But this is only the beginning instead of, as in security analysis, the complete job.

Life value underwriting applies this information to carefully tabulated experience, covering a long period of time, showing, for groups of persons with such characteristics, what the risk is. Having thus determined the risk from experience, a charge appropriate to that risk is made, and reserve systematically established and maintained to cover the risk. Under this procedure the nature of the technique and the nature of the operation are consistent. The results of this handling of commitments with a long time span have, beyond question, been vastly superior to those obtained in investment with its incompatibility between techniques and operation.

### Investment Long-Term Information Lacking

In the present state of knowledge, long-term information on investments analogous to the mortality table is lacking. Hence there is no systematic way to determine charges appropriate to risks, nor to establish reserves measurably suitable to risk. Some contend that there is no such regularity in investment as in life, that far more variables exist in investment than in life, and that

no device analogous to a mortality table is possible in investment. Clearly there are dissimilarities, but I cannot help but wonder whether the men who were groping with the problems of life insurance long ago found in the then undeveloped state of knowledge any more assurance of regularity, of measurability and of limitation of variables than investment men find today.

What can be said positively is that a careful and systematic study of human life has produced useful and reliable mortality tables on life, but that investment and mortgage men have not even tried to develop a comparable technique. They seem to share the view of the fiction writer, Arnold Bennett, who says in the preface to "The Old Wives Tale": "I hated, and I still hate, the awful business of research." And it can be added that the results in investment have been vastly inferior to those obtained in life underwriting.

Fortunately, from this point of view, studies are now underway to try to fill this investment deficiency. The National Bureau of Economic Research, with the support of banking, life insurance and other interested groups, under the Executive Directorship of Dr. William J. Carson from your own University of Pennsylvania, is systematically and scientifically compiling and analyzing investment experience in both securities and mortgages. In my opinion, the undertaking of these studies is the most significant development ever to occur in investment, and they will prove over time to be of quite extraordinary significance, marking the first major advance in the investment sector against "the Tyranny of the Unknown."<sup>4</sup>

### Lack of Suitable Investment Technique

But whatever the outcome of these studies, I submit that the greatest investment problem is the lack of a technique suitable to the nature of the operation. So long as investment attempts to cover time distances of airplane dimensions with a technique of only a bicycle range, it is not unlikely that results will be something less than ideal.

Let me try to make the point of need for a more appropriate technique in a different way. Will you step with me into Mr. H. G. Wells' time machine? Let's go back for half a century, and see what investment problems might have looked like to us then. After all, half a century isn't so long in the time span of investment, and perhaps some useful perspective can be gained by sitting a little while at a different point in time.

Fifty years ago in 1896 there were also securities outstanding for investment people to consider which stretched far ahead. For example, 50 years ago tonight, our predecessors would have looked at a market which contained, among other issues, the West Shore Railroad Company 1st 4s to mature in the year 2361 and which already had been outstanding for 10 years. They would have seen the East Tennessee, Virginia and Georgia Railroad Consolidated 5s due in 1956. They would have observed the Southern Railway 1st Consol. 5s brought out a couple of years earlier, due in 1994. They would have seen the Texas and Pacific 1st 5s due in 2000 and the Edison Electric Illuminating Company of New York 1st Consolidated 5s due in 1995. All these issues, you will note, had more than 50 years to run, just as many of the issues now outstanding have 50 years and more to go, and you will realize that all the issues are still extant—though others of a long

span then outstanding have since departed this life—often by a long and agonizing death. The West Shores, incidentally, at that time were yielding 3.74%; the East Tennessee, Virginia and Georgia, 4.67%; the Southern Railway Consols., 5.44%; the Texas and Pacific, 5.85%; and the Edison Electrics, 4.70%. Now, had we been meeting at that time, what would have been identified as the significant investment problem?

First, money would have been of much concern. A period had just ended in which the Treasury intermittently ran short of gold necessary for its position and in which it had had to appeal, yes, even beg, for help repeatedly. A political campaign had just ended in which gold was repeatedly denounced and in which one Presidential candidate had closed his most famous speech with the classic passage, "You shall not press down upon the brow of labor this crown of thorn. You shall not crucify mankind upon a cross of gold." But this meeting then would probably have felt reassured that all such heretical ideas had been finally and forever buried with the election of McKinley and the victory of the Grand Old Party. In fact, celebration probably would still have been in progress on Dec. 10, 1896, of the great triumph of virtue. Probably no one would even have suggested that the idea of monetary management was still loose in the country, still firmly held by millions of persons and that it was by no means dead and buried. And probably no one would have suggested that there were coming money panics that would rock the country to its foundation, that there was coming a central bank which would alter most concepts of banking then held, that there were men alive presently to win dominant influence and to castigate gold as a useless token and do all manner of sundry and diverse things with it beyond the imagination of the then feared William Jennings Bryan. Yes, on Dec. 10, 1896 money probably would have been identified as one of the significant investment problems, even though the wildest imagination would not have approached what was to come well within the period of the East Tennessee, Virginia and Georgia issue—to say nothing of the West Shores.

Secondly, this discussion 50 years ago probably would have referred to Mr. J. P. Morgan's conferences with the President and the Treasury over the recent years and his tremendous efforts to aid the Treasury. But the relative importance and power of the Treasury and Wall Street would have been viewed very differently than now. Some attention probably would have been given to the action of the Supreme Court just a year earlier in declaring unconstitutional that device for the redistribution of income and wealth called the income tax. And something might have been said about Mr. Cleveland's use, only a couple of years earlier, of the Army to break a railroad strike. Yes, government probably would have been identified as a significant element in investment. No one, however, in any likelihood would have had any vision as to how tremendously important government was to become, of the agonies to come from the trust-busting campaign of that young Theodore Roosevelt, or from that radical college professor Woodrow Wilson's Square Deal, to say nothing of the income tax and labor and the New Deal—long before the maturity of the Texas and Pacific 1st 5s—to say nothing of the West Shores.

Thirdly, someone might have raised a question about the revolt that was going on in Cuba, or the

<sup>3</sup> "Security Analysis," Graham & Dodd, "Status Quo or Pioneer," Harpers, October, 1934.

Italian invasion of Ethiopia and the utter route of the Italians at Adowa earlier in the year. Someone might, though probably would not, have made a sarcastic remark about the final bankruptcy of the French effort to build a canal in Panama and of the appointment by Congress of a commission to study the very visionary possibility of a Panama canal. But the chances are that world affairs would have attracted little, if any, attention in discussion as an investment problem. And almost certainly, not even the most visionary would have contemplated the possibility of two world wars which would shatter the entire established world order, or the emergence of the United States as one of the two great world powers with a fleet in the Mediterranean, with troops in China and the Philippines, with membership in a world confederation—all long before the maturity of the Edison Electric Illuminating 5's, to say nothing of the West Shores.

Fourth, meeting in 1896 there might have been some talk about the western frontier, but only some accidental student of population would have noted that the northern states in the aggregate just then were becoming preponderantly urban. The census of 1890 showed the North with more than 50% of its population as rural, but the census of 1900 showed the balance to have shifted. Probably no attention would have been given to any decline in the rate of population growth in the United States, though we now know it to have been underway. But almost certainly the fact would not have been noted or even comprehended that 'ere long the great majority of the entire population of the United States would live in cities and towns instead of on the farm, with all the economic, social and political developments that a landless urban proletariat would bring and with which 50 years later the nation would still be groping with remarkably little success. The effect on investments based on real estate of the declining rate of population growth and the great regional shifts of population, the fact that these would mean that, as time passed, population growth could no longer be trusted to validate, to bail out in time, any real estate investment except the most extremely imprudent, could hardly have been grasped. The simple fact could hardly have been realized that the economy which had always been preponderantly agricultural would be gone and replaced by a strange society highly urbanized long before the maturity of the Edison Electrics—to say nothing of the West Shores.

By the limitless wisdom of hindsight, in short, we can see that a meeting 50 years ago tonight might have made a list of six major investment problems—money, government, world affairs, population, the business cycle and technology—likely to prove highly significant well within the time span of investments then being acquired.

The meeting in 1896 might have summarized the discussion by saying that the outstanding investment problem would be how to operate in an environment to change so rapidly as the six items listed would cause. And it might have been said that the investment problem in its broadest sense was how to integrate investment—difficult enough itself—to the other operations of institutions for which really investment is only the servant. Because these changes would certainly have been expected to bring great shifts in the nature of liabilities of services and of responsibilities. Investment not only has to cope with at least some success with its own problems, but must always orient itself to serve the major purpose of the institution in which it operates, be it the provision of life insurance, of banking services or of trusteeship.

ern Railway Consolidated 5's—to say nothing of the West Shores.

Finally, meeting 50 years ago tonight, someone conceivably might have muttered about strange items sporadically appearing in the news. There might have been a little talk of the first showing of a motion picture in Richmond, Indiana, two years earlier. Perhaps someone might have observed the freakish fact that a fellow named Langley had just made the first successful flight for 3,000 feet of a heavier than air steam powered model plane. Or that a nut, called Octave Chanute, had built a five-decker glider. There might have been note of a news item that Andrew Carnegie had just installed in his mansion in New York a stove operated wholly with electricity. Maybe someone would have observed that a strange guy, named Marconi, had obtained his first patent in the United States and had in England sent signals without wires for a distance of a few feet. Maybe the automobile would have been noted, though it was, of course, a freak and there were less than 90 cars in existence at the time, though there were four million bicycles. George Whitney's patent of a light steam engined motor car and George Seldon's patent the preceding year of the idea of using an explosion engine in a road vehicle could have been observed. And there might have been a comment on the first automobile race run on the snow outside Chicago two years before. Perhaps technological change would have been listed as an investment problem. But is there any remotest likelihood that the meeting could have envisioned the development of these freaks to such prominence, or should I say dominance, in the life of the nation and the world? Or the possibility of so vast an array of technological development as we now know has happened, all far in advance of the maturity of the Texas and Pacific 1st 5's—to say nothing of the West Shores.

Now, benefiting from the illimitable wisdom of hindsight, I have constructed what might have been a very wise discussion 50 years ago to cover only a part of the time span of the Southern Railway 1st Consolidated 5's—and only a tiny fraction of the West Shores. But you will, of course, be aware by this time that I am using a hypothetical 1896 meeting, only as a technique for organization of this paper, a technique by which I hoped to keep at least some of you awake at least some of the time. Actually, you will by now have realized that the conclusions suggested for 1896 are the conclusions that I suggest for 1946. They certainly would have been valid 50 years ago, and I submit that they certainly are valid tonight.

2. Investment management must be chary of any concept of normality or of stability and thus of buying things to put away.

3. Investment management needs a vast enlargement of its scope of analysis, an expansion of perspective far beyond attention just to balance sheets and income accounts.

4. Investment management must develop new standards of valuation for balance sheet purposes in a world to fluctuate and change so violently.

5. Investment management should question the validity or the desirability of extensive fixed, rigid indebtedness in an economy subject to so much fluctuation (though if we had been lawyers, we would not have made that point because such a question, if sufficiently pursued, would deprive us of a tremendous amount of reorganization business).

6. Investment management and institutional management need to reexamine their responsibility—how would they operate to encourage or discourage, or adjust to, or serve or disserve these tremendous changes underway or in prospect.

7. Investment management must make much more careful and adequate allowance for risk of loss.

8. And, finally, investment management must, I think we would have said, place much more importance upon the quality and ability and competence of the management of the concerns in which investments were made.

Now, benefiting from the illimitable wisdom of hindsight, I have constructed what might have been a very wise discussion 50 years ago to cover only a part of the time span of the Southern Railway 1st Consolidated 5's—and only a tiny fraction of the West Shores. But you will, of course, be aware by this time that I am using a hypothetical 1896 meeting, only as a technique for organization of this paper, a technique by which I hoped to keep at least some of you awake at least some of the time. Actually, you will by now have realized that the conclusions suggested for 1896 are the conclusions that I suggest for 1946. They certainly would have been valid 50 years ago, and I submit that they certainly are valid tonight.

#### Changes in Last 50 Years

They were valid then and they are valid now because the entire 50 years is a most extraordinarily

dynamic period in the history of society—one of the most dynamic in the whole 6000 years of recorded history! Perhaps, more conditions have changed more in the 50 years since 1896 than in the whole period from the time of Hammurabi to the time of Henry Ford. And in the view I have, we are but in the midst of, nay perhaps only in the earlier phases of, this period of tremendous and incredible change. This is the view of so experienced a person as Mr. William M. Rand, the President of Monsanto Chemical, who recently wrote, contemplating "a living standard for our children as advanced and as different from our own as our own is from the stone age. In one generation," he continued, "indeed in a single decade, American industry has opened material vistas for us greater than the combined material achievements since the beginning of civilization."<sup>5</sup> And Mr. David Sarnoff, President of the Radio Corporation of America, says: "I believe that the realities of the years to come will outstrip the promises of the present day."<sup>6</sup>

This society has to hammer out a revised and perhaps a new concept of the nature and function of money. It must develop a new concept of the role and function of government and about international relations. It must find a concept to cover the organization of a society consisting largely of an essentially landless proletariat living in cities. The emphasis on full employment—with the British Government formally committed, and the American Government morally committed, to the realization of perpetual full employment—shows the necessity for a new examination of that phenomenon called the business cycle. And the tremendous competition now clearly in prospect between forms of energy, among the various fabrics, between all forms of materials both natural and synthetic, between the many forms of transportation, among the many forms of amusement and entertainment—to mention only a few—give a hint, if only an inadequate one, of the tremendous significance of fast-moving technology, likely to be fed, according to the President of Harvard University, by "a flowering of scientific work in this country the like of which the world has never seen before."<sup>7</sup> The hard, continuing, changing job of understanding and coping with these developments, of changing with them and adjusting

to them is the problem alike of institutional management and of that servant of institutional management, investment management.

That these powerful, surging, turgid forces, sweeping through our society, will affect every form of investment can hardly be doubted. Mortgages, obligations and equities alike will be rocked by them in the years to come. And useful as it is, even the most astute security analysis can hardly be expected to cope with the meaning to investments of these forces over a long time span—or even a short one. And I am certain that no economist's crystal ball can show the answers with any reliability.

#### Position of U. S. Bonds

Of course, in the shorter and simpler view of our problems, one can predict with safety that obligations of the United States Government will be a large part of institutional assets. One can predict with virtual certainty that the next several years will see a significant increase in the volume of real estate mortgages. One can predict with great confidence that the volume of public and private security issues of non-governmental obligors will average much higher in the next decade than during the last 15 years. One can have little doubt that the volume of municipal flotations will be larger. In short, one can say in the narrower view of investment prospects that the volume of obligations which investors will examine and from which they will choose, will be larger. One can predict that amortization will be far more prevalent so that the turnover of holdings will be more rapid than in past experience, other than in the great refunding associated with the changes in money rates of the last 15 years. And one can predict with some assurance that the long-term market interest rate is likely to change but little, at most, for at least a considerable time to come.

But the really significant investment problem is not volume. And the really significant investment prospects do not have to do with types of issues and refundings and interest rates. The major problem is, I believe, to find a new technique compatible with operations, and the major prospect is change, change, change. The extent of future investment success will be determined by ability to fill this need of this dynamic century of change in which we live—in which we commit funds for decades into the future—to say nothing of the time span of the West Shores.

*This announcement is not, and is under no circumstances to be construed as, an offering of these securities for sale or as a solicitation of an offer to buy any of such securities.*

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Brailsford & Co.

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December 16, 1946

## Life Ins. Institute Admits Three Ins. Cos.

The applications of three life insurance companies for membership in the Institute of Life Insurance were approved by the Board of Directors at a meeting on Dec. 10, bringing to seven the number of companies elected to membership this year. The membership now comprises 132 U. S. life insurance companies, representing approximately 87% of the assets of all United States legal reserve life insurance companies. Ten Canadian companies also are members. The companies admitted to membership on Dec. 10 are the Atlantic Life Insurance Company of Richmond, Va., the Great American Reserve Insurance Company of Dallas, Texas, and the Hoosier Farm Bureau Life Insurance Company of Indianapolis, Ind. The four companies admitted to membership earlier this year are: The Life Insurance Company of Virginia, Richmond, the Mutual Benefit Life Insurance Company, Newark, N. J., the Northwestern Mutual Life Insurance Company, Milwaukee, Wis., and the Standard Life Insurance Company of Indiana, Indianapolis.

### Costello Resigns from RFC

William C. Costello, who went to Washington from Houston, Tex., with Jesse Jones in 1932, has resigned from the Reconstruction Finance Corporation to enter private business, it was stated in Associated Press advices from Washington on Dec. 2, which said that he will open offices in Washington and Houston for the J. A. Zurn Manufacturing Co., Erie, Pa.

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## "Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

With the December financing out of the way, the money markets are now assuming more normal proportions. . . . The mid-month financial operation was taken very much in stride by the government market, with larger volume and rising prices being very much in evidence during several trading sessions, prior to the redemption of the 1½% notes. . . . Although the technical position of the market has been on the mend for some time, the real test of its strength came early last Thursday. . . .

Dealers had marked prices down, with the idea of picking up last minute offerings of securities by commercial banks, which had to meet war loan calls. . . . Much to their surprise the market went dull, and no offerings appeared. . . . This was followed shortly thereafter by a reversal in trend which carried prices up, this time also on light volume. . . . However, since then improved prices with larger volume have been the course of the market. . . .

The purchase by New York City of \$13,900,000 of the June 2½s due 1967/72, has been instrumental in bringing home to some investors the fact that it would not take much buying to push up the prices of the restricted bonds, when the market is right. . . . Although offerings were substantially in excess of the amount purchased by the City, prices in most instances were also above those accepted by the municipal authorities. . . . When it was evident that a sizable amount of bonds would not come into the picture unless prices were higher than those paid by New York City, then the tone of the market improved considerably. . . .

#### LONG 2S FAVORITE

The leadership in the government securities markets again seems to be with the intermediate-term taxable issues, with the longest maturities of the 2s still the most favored obligations. . . . Insurance companies, savings banks, as well as commercial banks are in the market competing for these securities. . . . The savings banks and insurance companies are moving from shorter securities into the later maturities of the 2s, believing that the greater marketability of the bank-eligible issues, makes these securities attractive at present prices. . . . The demand from the deposit institutions for the intermediate taxable securities in the not distant future will most likely be substantial enough to take these present-day purchases of non-bank investors off their hands, at prices as good if not better than those at which they were obtained. . . .

#### PURCHASES AND SALES

A good demand is still in evidence for the 2½s of 1956/59, which has also carried along the 2½s due 1956/58, so that the two issues now give about the same return, with the purchase of either obligation largely a matter of the amount of premium involved. . . . The 2½s due Sept. 15, 1967/72 are likewise being taken out of the market as the smaller commercial banks continue to be the most important buyers of this issue. . . . The partially-exempt obligations responded to the better action of the taxables. . . . This betterment, according to reports, was because considerable amounts of these bonds were taken on by the metropolitan as well as the out-of-town institutions. . . .

Insurance companies and savings banks, according to indications, were again the main sellers of these bonds, although government trust funds were reported to have let out some of these issues. . . .

It seems as though there is a definite quest on now for longer maturities among the commercial banks, although up to the present time this has not resulted in the Central Bank's taking on any of the short maturities of bonds. . . . So far the operation has been among the banks and insurance companies and vice versa. . . . The shorter taxable bonds that have been sold by the smaller commercial banks and insurance companies or savings banks have been bought principally by the larger metropolitan institutions. . . . Insurance companies and savings banks in some instances have also been buyers of the shorts and sellers of the intermediate-term issues. . . . Due to the mixed demand the market has been able so far to work out these changes without having to go to Federal with securities. . . . It is believed in some quarters that these adjustments can and will continue to be made almost exclusively in the market itself with practically no resort to the Central Banks. . . . If this should be the case, it is likely that the agitation for change in the short-term rate will disappear. . . .

If the trend into longer-term obligations by the banks, which cannot be too substantial because there are not enough of these bonds for them to buy, is not accompanied by sales of certificates or short bonds to Federal, there may be possibilities of a changed attitude toward the rate patterns on the part of some of the Central Banks. . . .

Although there has been some buying of the longest ineligible obligations, it is not believed that there will be much of a following developed in these bonds, until after the early January conferences between Treasury officials and the heads of the insurance companies and savings banks. . . . Purchases of earlier maturities of the restricted issues will no doubt continue, but important acquisitions of the 2½s due June and December 1967/72 are not likely to be undertaken until after these meetings. . . .

It is not believed that there will be much definite coming out of these gatherings, since it seems to be the prevailing opinion that future flotations of long-term obligations will depend upon business conditions, trend of commodity prices and the volume of loans. . . .

If there should be need to combat inflationary forces, then there will most likely be an issue of long 2½% bonds for ultimate investors. . . . A deflationary course of economic conditions, most certainly would not bring about any new bond issues by the Treasury. . . .

#### DIVERGENT RATE OPINIONS

The recent speech (full text in Dec. 12 "Chronicle," page 3012) by President Sproul of the Federal Reserve Bank of New York, at the New Jersey Bankers Mid-Year Trust and Banking Conference, at Asbury Park, seems to have brought into the open, the conflict of views between the heads of some of the Central Banks and Chairman Eccles of the Federal Reserve Board over money rates and pat-

terns. . . . It seems as though the President of the New York Federal Reserve Bank wants the rigid pattern of rates used during the war changed and made flexible, particularly short-term rates. . . . The Central Bank wants to regain control over the initiation of credit, which cannot take place as long as short-term rates are pegged and Federal has to buy at fixed prices all of these issues that are offered by the commercial banks. . . . On the other hand, Chairman Eccles of the Federal Reserve Board seems to look upon the entire government debt pretty much as demand obligations. . . .

Therefore, in order to prevent the cashing in of certain of these securities, he appears to believe that the market for all government issues must be kept stable and protected, which means a continuation of low interest rates and the war rate pattern ranging from ½% to 2½%. . . . It will be interesting to see what comes out of these divergent views on rates.

## The World Bank—Its Aims and Importance

(Continued from page 3202)

international bank to deal with the problems of reconstruction and development. They recognized that these problems were of such magnitude that they could not be met through the conventional channels of private investment, or through the un-integrated efforts of governments acting separately. They recognized, too, that these problems affected the welfare of all nations—those had escaped the direct ravages of war as well as those that had endured them. They recognized the world dependence on economic as well as political unity. They were keenly aware that the preservation of peace would be impossible unless men everywhere had the opportunity to earn a living and return as soon as possible to their normal pursuits.

The International Bank was conceived as an instrument for helping to achieve these human aspirations. It was designed to finance constructive undertakings in devastated or industrially underdeveloped countries—undertakings which would help men to contribute to the world's wealth and, through the exchange of goods with their fellowmen, to raise their own standards of living. Only an international bank can do this job on the scale on which it now has to be done.

The Articles of Agreement of the International Bank and the International Monetary Fund were drafted at the Bretton Woods Conference in 1944. Another year passed before the necessary number of governments had accepted the agreements and joined in the establishment of the Bank and the Fund. Last spring organizational meetings were held, and the two institutions came into being.

That is the brief chronology of the efforts to organize the nations of the world for common action in the financial field. It is only one part of our new extensive international mechanism. International cooperation must grow and develop; it cannot spring into full grown activity through a sudden act of creation.

#### Establishment of the Bank

After its formal establishment the Bank could not begin its operations immediately. A staff had to be recruited from among the competent people in many countries. That was not a simple matter. In my opinion we have done well. I have confidence in the ability and character of the personnel we have secured. But they were not secured easily or quickly.

The shortage of trained personnel in every country and in every field of endeavor was in itself an obstacle to rapid progress. It is only within the last few weeks that the Director of the Loan Department was appointed—Charles C. Pineo, a Canadian of competence and experience, who was until recently an officer of the Royal Bank of Canada in charge of their foreign business. The Vice President of the Bank, Harold D. Smith, was formerly Director of the Budget of the United States.

The General Counsel, Chester A. McLain, is an American, who

came to the Bank from the law firm of Cravath, Swaine & Moore in New York. Mr. McLain had extensive experience abroad as well as at home in matters related to international finance. The Treasurer is D. Crena de Longh, who was formerly the president of one of the largest banks in the Netherlands. The Director of the Research Department, Leonard B. Rist, is a French economist, who before the war was a vice president of Morgan and Cie. in Paris and, during the war, played an active part in the liberation movement. The Secretary, Morton M. Mendels, is a lawyer from Montreal, who was only recently released from the Canadian Army. In his work he was responsible for military estimates, finance and economic studies.

The Bank is novel in its organization. That is inevitable so, because no such institution ever existed before. Its members are 38 governments, each of which is entitled to appoint a Governor. The Governors meet at least once a year and are entitled to vote the shares of the Bank's capital to which their governments have subscribed.

There are twelve Executive Directors and each Director has an Alternate. Five of the Directors are appointed by the members having the largest subscriptions to the Bank's capital, and seven are elected by the remaining members. With the President of the Bank as their Chairman, they meet regularly twice a week.

The Governors have delegated to the Executive Directors their authority with respect to the day-to-day operations of the Bank. There is, therefore, a Board of Directors continually available in Washington to act upon the business of the Bank and give general policy directions.

#### Manner of Conducting Operations

I know you are interested not only in the way the Bank is organized but also in the manner in which the Bank conducts its operations.

You possess as a group a very large aggregation of investment funds and the Bank desires your active interest and support. The Bank needs long-term funds in order to carry out the purposes for which it was created and you, of course, want long-term investments. While you are not authorized under existing state laws to invest in the Bank's obligations, the Bank hopes that the necessary legislation will be adopted. It has felt, however, that the matter was one that should be dealt with by the regularly constituted authorities in this country.

The Bank must use its resources and facilities solely for the benefit of its members. It is authorized to make or participate in direct loans, or to guarantee in whole or in part loans made by private investors through the usual investment channels. If in any case a member is not itself the borrower, the member or its central bank or some other comparable agency

acceptable to the Bank must fully guarantee the loan.

The first application for a loan which was sufficiently documented to be studied was not received until October. Since that time, four additional applications have been received in form for consideration. Of these five applications, four request assistance in the reconstruction of economies which suffered seriously from the war. The fifth seeks funds for development projects.

Upon the receipt of these applications, a committee of officers from the various departments of the Bank was appointed to study and report on each. These studies have been going forward and considerable progress has been made.

#### Questions Considered in Loan Applications

Here are some of the questions which must be considered in the case of each application: Are funds available from private sources on reasonable terms? What is the effect of the loan on the country's economy and how sound is the investment? What are the prospects that the borrower will be able to meet the obligations incurred? If the loan is to be granted, what would be a reasonable rate of interest and what other charges should be made? Is the schedule of repayments appropriate to the loan? What methods of supervision can be undertaken to see that the credit is properly used and repaid?

Under the Articles of Agreement of the Bank, loans are required to be for the purpose of specific projects of reconstruction and development, except in special circumstances. I mentioned that one of the applications now before the Bank seeks the financing of specific development projects. Naturally, new development is planned and undertaken on a project basis, in an effort to expand and modernize the productive facilities of a country. A power plant or a steel mill can be built; a railroad can be run into a previously inaccessible area if the necessary manpower and local resources are available. There are many such projects which can be carefully planned and engineered in any underdeveloped area, although it takes a considerable amount of time to prepare such plans.

The situation is somewhat different, however, in the case of countries whose economies were destroyed and disrupted by the war. In many instances, those countries were highly industrialized prior to the war. Their need now is to rebuild and modernize their facilities, or even to expand them in order to strengthen their economies and increase their standards of living. In these countries it is not possible to think of projects only in terms of a particular power plant or other facility. Often the best way to promote reconstruction will be to undertake a general program for the repair and modernization of large segments of their economies.

#### Foreign Exchange Resources

In making loans, the Bank will be interested in the foreign exchange resources of the borrowing country. The fact that the financial assistance provided by the Bank results in profitable undertakings within a country does not necessarily mean that the borrower will have the resources required to repay the Bank. The Bank will be lending foreign exchange with which borrowers can buy goods abroad. Therefore, it is necessary to consider the ability of the borrowing country to repay the Bank with currencies other than its own. Obviously, the Bank's assistance cannot be limited to projects or programs which will result directly in the receipt of foreign exchange. But in each case the

Bank must be satisfied that the over-all effect of its loan, combined with the resources and efforts of the borrowing country, will be to improve the economic position of the country sufficiently to give reasonable assurance that the foreign exchange needed for repayments will be available.

#### Bank Guided by Economic Considerations

The Bank, to succeed, must be operated as a business institution, guided by economic rather than political considerations. In fact, the framers of the Bank's Articles of Agreement provided that only economic considerations should be relevant to the Bank's decisions. In other words, the Bank has been given a mandate to operate on a business basis.

I have discussed the nature of the Bank's operations and the considerations to be taken into account in making loans. Now I would like to tell you something about other elements in the Bank's structure and operations which bear upon the character of its securities as investments.

The governments which are members of the Bank have subscribed to its capital stock over \$7½ billions. Four additional countries, recently declared eligible for membership, will bring the total to approximately \$8 billions. Of this amount, the Bank is entitled to require the payment of 20% as working capital. Ten percent, or the equivalent of about \$750 millions, became payable by Nov. 25. The full 20%, which amounts to approximately \$1½ billions, will have been received by next May. One half of this sum, or about \$750 millions, will be in gold or United States dollars, the rest in other currencies of the members.

The remaining 80% of the members' subscriptions to the Bank's capital is not subject to call except for the purpose of meeting the Bank's obligations.

I recently noticed a newspaper story in which it was stated that there had been no official ruling as to the exact procedure under which calls could be made against this 80% of subscriptions. It was further stated that certain investors had asserted that there was a serious question whether, if one or more members defaulted in the payment of calls on their subscriptions, the Bank could make additional pro rata calls on capital until the amounts paid in by non-defaulting members up to the full amounts of their respective subscriptions should be sufficient to meet the obligations of the Bank.

I think you will agree that it is unreasonable to expect the Bank now to make official rulings defining the exact procedure which it will follow in the remote contingency that it should need to call all or part of such 80% of its capital in order to meet its obligations. I think, however, that I can clear up any doubt as to the answer to the particular question which seems to have been bothering the writer of the story to which I refer. I am assured by the General Counsel of the Bank that in his opinion the obligation of each member on its subscription to the capital of the Bank is independent of the obligations of other members, and that in case some members fail to respond to a call on their subscriptions, the Bank may continue to make pro rata calls, up to the full amount of its capital subscribed and unpaid, until the amount received by the Bank is sufficient to meet its obligations for funds borrowed by it or on guarantees made by it.

#### Funds Through Sale of Debentures

The Bank's working capital is available for lending and may serve as a revolving fund. Most of the amounts used for loans will

have to be replaced through borrowings. In fact, most of the funds required by the Bank in all its lending operations must be obtained through the sale of debentures in the public markets from time to time.

The security behind the Bank's obligations will be its loan portfolio, its reserves, its paid-in capital on hand and its ability to call upon its members for part or all of the remaining 80% of their subscriptions. If and when such call is made, the Bank is entitled to require that payment be made in the currency necessary to satisfy its obligations.

Let us examine for a moment the nature of this security.

It is unlikely that the Bank will borrow funds on a large scale in advance of the need for them since it will not want to pay interest on idle money. In no event can the Bank's loans and guarantees exceed the amount of its unimpaired subscribed capital, reserves and surplus.

#### Security for Debentures

Those who hold the Bank's obligations will have the Bank's loans as the first line of security. I certainly shall not hazard the flat assertion that all the Bank's loans and interest thereon will be repaid in full and on the dot. There may be some defaults, and adjustments may have to be made where difficulties arise. But even if there are some defaults, the 80% of subscriptions to the Bank's capital can be called in any amounts and in any currency required to meet the Bank's obligations.

Furthermore, under the Articles of Agreement, the Bank is required to charge a commission of from 1 to 1½% on all the loans it makes. This commission must be held in liquid form as a special reserve to meet the Bank's liabilities. After the first years of operation, this reserve should amount to a substantial sum.

Apart from the portfolio, the special reserve and the subscriptions which can be called, there may be other reserves as well as a surplus arising from the Bank's operations. And as a final item of security, there is the paid-in capital of the Bank, which can be exchanged by it, without restriction, into any currency which the Bank needs to meet its obligations. The portfolio, together with reserves, surplus and subscribed capital cannot be less than 200% of the Bank's obligations.

#### Conservative Operation

I think you will agree with me that, in framing the Articles of Agreement of the Bank, they intended to make every effort to assure a conservative operation.

I look upon the Bank as a great opportunity for the people of the world—not merely for the people of the borrowing countries, but for those in the lending countries as well.

The workers and the managers, the scientists and the engineers in the borrowing countries, with technical help from the outside in many cases, must plan projects of sound reconstruction and development. If the Bank assists in financing those projects, the people in the borrowing countries must labor to construct and operate them for the benefit of their fellow citizens. They must act wisely in handling their domestic economies so that the anticipated benefits will be realized. They must act carefully so that their budgetary and fiscal affairs, as well as the social measures they undertake, will bring a rising standard of living to their people and not a period of boom, followed by a bust.

But the laborer and the trader, the manufacturer and the engineer, and the investors in the producing and creditor countries must

also shoulder a share of the responsibility.

Many countries today have been laid waste by war. Their economies have been disrupted and their administrative and distribution machinery shattered. Unless the destruction can be repaired and the normal functions of economic life resumed, we will not achieve the secure peace for which we fought.

I had occasion recently to comment publicly on the famine of materials and manufactured goods with which the world is threatened. The famine of raw materials and manufactured goods can be just as real and just as desperate as the lack of food. American management and American labor have it within their power to meet a very great part of the world's essential material needs. Our factories and plants and those of Canada and other countries, which did not suffer direct attack, are the hope of the world. We have in our hands the power to decide whether we will regenerate the world's economy or whether we will squander our productive capacity by leaving it idle or by producing only enough to satisfy our own requirements.

We shall also have to share our technicians—the engineers and chemists and agronomists—to help the devastated and underdeveloped countries plan their programs of reconstruction and development.

#### Need for Foreign Investment

Furthermore, the creditor countries will have to invest their capital resources productively in other parts of the world where it is needed. All the funds of the insurance companies in the State of New York are not invested within the boundaries of the State; they find their way into channels which carry them throughout our country to strengthen the economies of other states and other areas. Now foreign countries are a logical field for carefully planned investment.

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Apart from the portfolio, the special reserve and the subscriptions which can be called, there may be other reserves as well as a surplus arising from the Bank's operations. And as a final item of security, there is the paid-in capital of the Bank, which can be exchanged by it, without restriction, into any currency which the Bank needs to meet its obligations. The portfolio, together with reserves, surplus and subscribed capital cannot be less than 200% of the Bank's obligations.

Let me also point out that the participation in the Bank's success is certainly not limited to the direct purchase of its securities. One of the principle functions of the Bank is to promote private foreign investment. The Bank can help to fill the gap which now exists between widespread and urgent needs and available private resources on reasonable terms.

Its operations, however, are not a substitute for healthy private investment. The loans it makes will, I hope, contribute to the strength and stability of the borrowing countries and improve the climate for private lending. They should also help to bring about conditions under which private trade may be restored and expanded.

If we want to enjoy the kind of economic society in which individual men can thrive and live comfortably, we cannot retreat into our own rich land and cease to care how the rest of the world lives. We cannot do that because there is no way of shutting ourselves up and keeping the rest of the world out. The spread of economic disease beyond our shores will eventually infect us. The deterioration of the economic conditions under which men live inevitably leads to political illness, which will surely involve us unless it is cured. In other words, we cannot be the only happy and prosperous country on the face of the globe.

**To Work Together Toward A More Prosperous World**

The International Bank was conceived as an opportunity for business and labor and technicians in all countries to work together toward a more prosperous world.

The Bank's efforts alone will not bring about the conditions which we wish to see restored throughout the world. There is need for action on many fronts. The International Monetary Fund has the highly important task of bringing stability into the chaotic area of international exchange.

The Food and Agriculture Organization is concerned with improving agricultural conditions throughout the world. The United Nations have already taken preliminary steps to establish an International Trade Organization. In other fields as well, men of goodwill are working together to forge the economic conditions of peace through mutual assistance.

I am convinced that in a world of mutual suspicion and smoldering conflicts our efforts to expand trade and raise standards of living among the nations will be futile. I am equally convinced of this: We shall not have peace unless economic conditions are bearable and backward economies are helped to go forward.

Whether we live in a borrowing or lending country we can all play our part in improving international relations and in strengthening the forces which benefit men in their daily lives. We can, each and every one of us, help to lay the new foundations upon which enduring peace must rest.

#### Corp. Div. Payments In Sept. Surveyed

Publicly reported cash dividend payments by corporations in the United States were 14% higher in September of this year than in September a year ago, the Department of Commerce said on Nov. 27, in its report of the corporations dividends, which also said:

"September 1946 payments were \$451,800,000 as compared with \$396,200,000 in September 1945."

"For the third quarter of this year dividend disbursements amounted to \$1,007,400,000, an increase of 14.5% over the \$878,700,000 total in the same quarter of 1945. Corporations engaged in trade experienced the greatest rise, 48%."

"A 47% gain was scored by the miscellaneous group of the third quarter of this year as compared with the same period a year ago. The payment of extra dividends by several motion picture companies was primarily responsible for the group gain. Other non-manufacturing industries experiencing gains were heat, light and power up 26%; mining up 20% and finance up 12%. Dividend payments by the communications group were about the same during the third quarter of this year as during the same period a year ago."

"Dividend payments by manufacturing companies as a whole advanced 10% during the third quarter of this year as compared with the third quarter 1945, but among the subdivisions wide variations occurred."

"Transportation equipment boosted its disbursements 78% above 1945. This was mainly owing to a change in the date of dividend payments by several large aircraft manufacturers. Third quarter dividend payments by paper and printing were up 46% over the same period of 1945; textiles and leather, up 29%; other manufacturing, up 28%; chemicals up 22%; oil refining, up 9%; iron and steel, up 8%; non-ferrous metals, up 6%; food, beverages and tobacco, up 4%. The only decline in dividend payments was in automobile manufacturing, down 21%, due to the decreased dividend rate of one of the largest manufacturers."

## The Enslavement of Labor

(Continued from page 3207)  
demagogue and self-seeker dawn. In such times as these, the paramount duty of every person is to keep his feet firmly set upon the ground and to scrutinize each new proposal with the utmost care before undertaking its adoption and promotion.

### AFL Champions Democracy

I am pleased to say that the American Federation of Labor, with its roots planted deep in American soil and its philosophy grounded in American traditions, has thus far withstood any and all attempts made to divert it from its original moorings or to sway it from its constructive path. Throughout, it has remained the champion of the cause of democracy as over and against the forces of suppression and of dictatorship.

In recent years, democracy has been sorely tried. It is being frowned upon in many lands. In some it has been uprooted and highly centralized governments with dictatorial powers have come into existence. Wherever centralized government and dictatorial powers have been established there also has been established a hostility to freedom of religion and of the practices of the Church, as well as to the rights of free labor and practices of free trade unions and labor organizations.

Democracy, as we know it, stands not only for the right of the individual to be free, but for the right of every individual soul of its importance in the sight of God. It is a part of our Christian belief that we are all children of God and are therefore spiritual persons.

The theory of the totalitarian state is the complete antithesis of the concept of Christian democracy. It stands for the supreme and all-powerful state; it demands the complete loyalty of the citizen to the state. It asserts that man was made for the state; it rejects the Christian idea that the state exists for the individual.

If we look across the Atlantic we can now see many things that should open our eyes. In Russia, we behold a wearied and exhausted people with their heads bowed to the tyranny of an organized minority. We see labor sweated at the bidding of the dictatorship of a small oligarchy operating through a privileged bureaucracy. Labor organizations have been transformed into labor battalions, acting under orders. Farmers have been herded into collective farms where home life and independence have been destroyed. Worse than all else, a determined and persistent effort is carried on day in and day out by those in authority to tear the cross of Christ from the hearts of the whole people.

With the aid of false definitions, loose thinking, and the degeneration of ethical standards, the communists here and elsewhere hope to stampede people into the belief that they are progressive. By weapons of distortion and destruction they would have us understand that Russian dictatorship presents the rule of reason of freedom—a government of peace and harmony. Indeed, by constant and persistent communist propaganda of falsehoods, a large section of liberal opinion in our country has been corroded to the point of many well-meaning persons consciously or subconsciously accepting all of Russia's acts and projects as the very touchstone of human advancement.

### Communist State of Terrors

It is by deeds however, and deeds alone that one evaluates movements and judges the validity and soundness of government. Under guise of abolishing the tyranny of private capitalist property over the masses, the communists, whenever and wherever they have seized power, have in-

stituted the terror of state property-owner over the overwhelming majority of the common people under their yoke.

In the fatherland of world communism, socialized property spells mass collectivization of misery. In this Utopia state property rights have far greater priority over the rights of individuals than private owners ever had or dared exercise in the worst days of capitalism. Under guise of eliminating exploitation, Communist dictators have foisted upon regimented masses a system of exploitation by soulless state bureaucrats more vicious and life sapping than the human tongue can tell or describe.

Under banner of bringing economic freedom, they have imposed a system of industrial slavery unparalleled in the annals of human history for its magnitude, ruthlessness, and planfulness of exploitation. No other country in the world—with all the evils attendant to its economy—have so vast a proportion of its national industrial life based on slave labor as does Communist Russia.

In Russia, Communist economy means police economy—just as the Communist State is nothing else but a savage and heartless police state. At this very moment, billions of dollars of lend-lease machinery and tools provided by the American people to help the Russian people beat back the Nazi aggressors, are being used by millions of enslaved laborers in building new vast arsenals of aggression for Soviet imperialism.

I point to the regions of the densely-wooded Urals and to the bleak shores of the Sea of Okhotsk where giant cities have been built by the sweat and blood and very lives of millions of forced laborers—slave workers, workers chained to the chariot of Soviet tyranny merely because they have dared occasionally to oppose, to criticize mildly, or even to question hesitatingly this barbarous dictatorship over the proletariat.

### Russia's Giant War Centers

If Molotov and Gromyko would not exercise their veto, the United Nations would do well to inspect such giant war centers as Magadan, Petrovsk, and Yakutia. These are not mystery cities. They are centers for Communist mastery of the whole world.

More than that. I speak not only of the physical enslavement of millions of individuals by the supreme bureaucrats and managers of state property. Behind the iron curtain, the land where American radio commentators are not allowed even to broadcast for a few minutes a week a few censored lines to the United States, there is likewise a vicious enslavement of the human mind, the arts, and culture of the people.

Under pretense of restoring some measure of religious freedom, the Kremlin rulers are actually seeking to turn the Greek Orthodox Hierarchy into an arm of the Soviet State and an instrument of Russian Government policies at home and abroad. Books and movies and press and theatre and music are being constantly coordinated and purged by top party bureaucrats. One may readily agree that Leningrad Communist Party boss, Zhdanov, can conduct rather efficiently the Party Line. But it is difficult to understand in what manner or by what means this key Communist party position qualifies him as a judge of literature, art and music or as an arbiter of religious issues.

Because Zhdanov can conduct Stalin's harsh party line, does not mean he is more qualified than is the great composer himself to conduct the Shostakovich Ninth Symphony. Indeed, material enslavement and moral degradation go hand in hand in the Communist paradise. Under guise of

ushering in a society where the state will wither away, the Communist dictators have set up a regime in which the people themselves are withering away.

### Russia Denies Freedom to Its Citizens

A government which denies freedom to its own citizens cannot be earnestly devoted to peace and liberty for the citizens of other countries. Herein lie the roots of Russia's pathological distrust and suspicion of democracy. The home and epitome of ruthless totalitarianism cannot be the bearer and guardian angel of international security and peace. Already, more countries have lost their independence in World War II than have gained their freedom after World War I. Thus, Tito's acts are not the acts of some individual adventurer, but an integral part of a whole pattern being woven by a powerful aggressor whose tool he is. The persecuted and imprisoned Cardinal Stepinac has borne eloquent and tragic testimony to this.

### Communism Is Materialistic

The basis of Communism is purely materialistic. It seeks to make this materialistic philosophy the religion of its devotees. It would not only ignore but vilify our Creator and hold in contempt the Church and those doctrines which we have all learned to hold sacred through countless centuries. In theory it would level all classes of society, but in practice it has established two privileged groups; namely, political office holders and army officers. All other persons and citizens are mere pawns and slaves at the beck and call of these privileged groups.

It is difficult to understand how any person who gazes out on the tortured world today, upon the spiritually broken and materially bound human beings of so many countries whose people are being ground beneath the heads of collectivism, can fail to appreciate the superiority of the American way.

Of course, ours is a constantly changing and progressing system. It is not perfect. It is not complete. It has not reached its ultimate. But progress is not made by attacking and undermining the very structure and machinery upon which we depend. Progress can only come by improving the devices of production and distribution, by constantly raising the standard of living, by creating new commodities, by developing new ideas, by giving the widest freedom for the development of the arts and sciences, the dissemination of knowledge and information and the investment of private capital in private enterprise.

The challenge of Communism is directed not alone at political democracies, but against all free and democratic organizations, including the trade unions and labor organizations of every type and character. The form of absolutism that is developing is an aggressive political doctrine that challenges not alone democratic nationalism, but internationalism as well.

The Catholic Bishops of the United States, in their recent statement, under the title "Man and Peace," were sound in their conclusion that at the bottom of all problems of the world today is the problem of man. The profound question of today is "whether national governments are disposed to protect or hinder the individual in the exercise of rights and in the discharge of duties which are proper to him prior to any action by the State."

For more than a year, the statesmen of the world have been working feverishly at the task of making peace. Few will deny their arduous efforts. Not many

will point to their achievements with pride and satisfaction.

### Distressing Failure of World Peace

Since the Potsdam Conference of the summer of 1945, the top three of the Big Three and the Foreign Ministers of the Big Four and Five have exerted all energy at their command to remake the world. There has been no dearth of formula or of plans. Still they have been unable to piece together the world of yesterday, let alone building a foundation for the better, for the brave, new world of tomorrow, for the achievement of which so many millions of many lands have made the supreme sacrifice on the field of battle.

What is at the bottom of this distressing failure? Why this paralysis of international statesmanship?

Territorial boundaries may momentarily be very important. They are seldom permanent and scarcely a guarantee for peace. Man-made arbitrary and fixed boundaries set by the strong against the weak are often a source of war rather than a force for peace. Even less may be said for reparations as a pillar of peace. Not a syllable can be uttered in defense of the brutal transfer of populations from their native soil and traditional abode as a means of building good will among men and fostering peace among nations.

The Catholic Bishops in their recent statement reached the very heart of the problem of world peace when they proclaimed, "Before we can hope for a good peace, there must come an agreement among the peacemakers on the basic question of man as man. Respect for the rights and duties of man as an individual and as a member of civic and domestic society, as we hold to be the first obligation of any government to its citizens."

Here is welcome light on the present distrust, suspicion and bitterness which divide not only the victors from the vanquished but the comrades-in-arms of yesterday's triumph over the Axis menace.

Not until the statesmen of the world begin to seek understandings and agreements over moral rather than material issues, over the questions of principle rather than the demands of power politics, will there be any encouraging prospect for an equitable and enduring peace.

Not until the diplomats plan to insure and increase the rights of the individual will they have grappled with the real issues of a durable peace. The sound standard proposed by the Catholic Bishops of our country for making peace represents, I am sure, the basic approach of peace-loving Americans of all faiths.

Recognition of the organic relationship between human dignity and freedom and world peace, recognition of the indivisibility of peace between nations and justice within nations, is the first and decisive pre-requisite for effective peacemaking, for the highest form of statesmanship. Only when the leaders of international diplomacy approach the problems of peace in this spirit, will they be really getting down to the tasks of firm peace-building.

### An International Bill of Rights

In full realization of this sound moral basis so essential to peace, the American Federation of Labor presented, last August, to the United Nations Economic and Social Council, an International Bill of Rights for incorporation into the general peace treaty. I am happy and proud to say that in spirit—and to no small extent in substance—the approach to world peace and human freedom made by the American Federation of Labor in its International Bill of Rights is in full accord with

the historic and inspiring statement of policy recently enunciated by the Conference of Bishops.

Let me cite a representative paragraph of our statement. "Humanity has reached a stage of development in which the efforts, actions, and struggles of all peoples against poverty and tyranny must be coordinated—if progress and prosperity are to be assured. Only a world peace settlement in which the preservation and promotion of the human rights and welfare of all peoples are primary objectives, can be just and enduring."

No nation, whether victor or vanquished, can reject this approach and be dedicated in deed to the cause of human freedom and peace. No nation, victor or vanquished, can be truly free if it disregards—in practice—these humane standards in its domestic and foreign relations. And let me emphasize that no movement—anywhere in the world—can be genuinely progressive unless it sincerely and vigorously adheres to this humanitarian and practical guide to a peaceful and bountiful world.

It is from this viewpoint that we are uncompromisingly opposed to the philosophy and practice of totalitarian Communism.

Imperialism today under cover of Communism is far more dangerous than ever it was under the flag of Czarism. Lest we forget: Russia, alone of all the victorious powers, has not been satisfied with merely defeating the Axis enemy. The Soviets are the only power having extended its domains at the expense of its Allies—its friends as well as its enemies. It is not the security of the Russian people that worries the Kremlin—despite all declamations regarding danger of capitalist encirclement. Rather, it is the security of several great democracies and of weaker nations that now disturbs Communist aggressors. The Moscow Commissars know very well for the first time in their history that the Russian people now have complete security on all sides, the south, west, east and north.

### Choice Not Between Bilbo and Browder

Let me make one other plea. We who believe in the democratic way of life must never waiver in our sound and unrelenting opposition to Communist tyranny into unsound and unwarranted support of anybody merely because he or they oppose Communism. Our struggle against the evils and vices of Communism can never be triumphant and final unless we spurn, repel, and uproot with full force at our command every other species and stripe of totalitarian bigotry and prejudice, intolerance, racism, and persecution. The Choice before the American people is not between Bilbo and Browder. Our choice is neither Bilbo nor Browder—in any shape, manner, form, guise or disguise. Our choice is democracy and human dignity and welfare as against both reaction from the left and right.

The problem of peace abroad and justice at home are intertwined and inseparable. They are two sides of one medal. Let us build an America free from the errors and terror of every type of totalitarianism and we will build an America able and eager to lead the world on the paths of justice and peace.

Let us build an America in which the dignity of human life, the spiritual elevation of its citizenry, and the enhancement of the people's welfare are our guiding motives and we shall then be able to insure the building of a world free from all racial and religious persecution and poverty—of a society of free nations governed by that set of lofty moral values which alone can lead to equitable and enduring peace.

## Price Distortions and the Business Outlook

(Continued from page 3204)  
concerned with the serious price distortions that now exist and their probable effect on the course of business in 1947.

### Historical Postwar Price Patterns

The price patterns after great wars seem to have similar characteristics. English prices advanced sharply during the Napoleonic wars. After 1815, prices dropped considerably; but this decline was soon arrested and another price advance began that continued into 1818. It was followed by a long period of declining prices. Our war of 1812 was followed by six months of declining prices, then a recovery for three months and then nearly fifteen years of falling prices. The peak of the Civil War rise in prices was reached in January, 1865; prices then declined until June 1865 and there was a brief recovery until October, 1865; and after that, falling prices until 1879. In World War I, prices reached their peak in September, 1918, declined until March, 1919, rose to a new high in May, 1920; and then began the long decline which lasted, with some interruptions, into 1932. These time intervals are not too precise, particularly for the earlier periods; but they will serve to sketch a very rough, common pattern.

Four main phases may be distinguished: (1) The wartime rise which continues until stopped by government controls or the imminence of peace; (2) the immediate post-hostilities decline which may sometimes begin before the end of the conflict and which usually lasts for a short time thereafter; (3) the replacement boom rise in which wartime distortions in the relative prices are continued and usually accentuated; and (4) the period of readjustment in which a new equilibrium is found and the stage set for a long decline in prices. The time intervals of the pattern vary considerably, the magnitudes of the changes are never the same; but, still, the general outlines seem to be reasonably well defined.

### Our Present Postwar Pattern

How well does this general pattern fit the present postwar period up to this time? In the first phase, the BLS index of wholesale prices advanced from 75 in August, 1939 to 106 in May, 1945, or about 40%. Between August, 1914 and November, 1918, the same index advanced about 95%. If one selects the months of our entry into World War I and World War II as the base, the percentage advances were about 19 and 13% respectively. Still another set of percentage changes can be derived by taking the months when a more or less continuous advance began. For our purposes, the significant fact is that in the first period, as contrasted with the recent war period, a much larger part of the price advance occurred before our formal entry into the conflict.

The second phase of the general pattern, namely the immediate postwar decline, is not as clearly marked this time as it was in prior periods. In the four months following V-E Day, there was a very slight decline in the BLS index which was mostly confined to the raw materials group. After World War I, there was a similar and somewhat greater decline in the immediate months following the armistice. This time, the continuation of the Pacific war was a sustaining influence. It is a fair conclusion, however, that government price controls tend to make the immediate down trends in prices after peace far less drastic than in prior postwar periods.

Prices do not advance so rapidly during the war period and the immediate reaction is less serious. During the recent war, we had pretty stringent control of non-agricultural prices; but this control or system of "administered prices" did not make proper allowance for increasing costs in many cases and often operated to create or accentuate shortages. Under such conditions, the close of active warfare did not cause any drastic decline in average prices.

We are now deep in the third phase of postwar price adjustments. The upward trend of prices during this replacement boom has now lasted about as long as it did after World War I. The recent removal of almost all price controls has stimulated the advance temporarily. It seems probable that the rising trend will persist well into the first quarter of 1947.

Between March, 1919 and May, 1920, the BLS index advanced about 27%; and between September, 1945 and December, 1946, the increase has been about the same, or perhaps slightly more. Some competent observers believe that this index may rise 5 to 10% more before a reversal gets under way.

Such a reversal is indicated by historical precedent. It is usually experienced because a replacement boom creates a number of serious economic distortions that impair the general balance of the economy and undermine the confidence of the people who hold the purse strings whether they be millions of plain people or the managers of great corporations. These distortions find expression in the relative levels of prices. The continuation of serious distortions ultimately forces readjustments.

Prices reflect the inter-action of highly complex economic, monetary, political and psychological forces. If the existing structure of freight rates were suddenly scrambled so that relative rates were turned topsy-turvy, it would not be long before industry after industry and community after community would be gravely affected. Our whole economic life would be profoundly disturbed. A somewhat analogous situation now exists in the present price structure. Normal price relationships have been upset by a long war during which we found it necessary to impose sweeping price controls. That period was followed by continued and quite unrealistic price controls, by months of bitter wage controversies and by wide-spread interruptions in production and in the flow of badly needed goods. Such conditions have aggravated the wartime price distortions. With decontrol, the difficult process of restoring economic balance has begun.

To attain this end, some business disturbance seems more or less inevitable. Apparently, we cannot avoid these correction periods—at least not until there is a broader understanding of the forces that create them and vastly more team work to keep the economy on an even keel. We need the corrections to reestablish a price equilibrium in which there is a large measure of confidence, a price equilibrium that once again will permit and stimulate safe forward planning. Some additional comment on prevailing price distortions may be of interest.

Perhaps a good initial approach to this problem is to survey the respective deviations from the BLS wholesale price index of the raw material, semi-finished and finished components of that index over a considerable period. You may recall that the raw material group includes about 111 quotations, more than one half of which

are farm products; the semi-manufactured group covers 99 quotations of such commodities as raw sugar, vegetable oils, yarns, ferrous and non-ferrous metals; and the manufactured group is represented by 679 separate quotations of various finished products.

When the deviations from the general average fall within a narrow range and the index is not rapidly rising or falling, we ordinarily have fairly good business conditions. The exceptions include war periods with high business activity and wide deviations. Under peace conditions, a narrowing range of deviation from the average seems to coincide with improving business and a widening range is ordinarily the prelude to business troubles. Thus, from 1925 to the early part of 1930, the deviations of the groups were small; they then widened considerably and not until 1934 did they begin to narrow again; the deviations continued to grow smaller until near the end of the first half of 1937; then the range widened rapidly and contraction did not begin again until the early part of 1940. The war period, of course, again threw the groups out of balance.

Study of these group deviations in the 1916-20 period and the period from 1942 to date reveals one striking difference. In the first period, it was the semi-manufactured group of commodities that caused trouble. During that war, this group maintained a position much above the average; it came into the zone of tolerance for a brief period in the first half of 1919 and then quickly soared to fantastic heights in the Spring of 1920. The relative position of the group was finally corrected in the precipitous general decline of the subsequent months. In this war and postwar period, the semi-manufactured group has held a submerged position and it is the raw material group that has risen sharply above the all-commodities index. Since decontrol, all groups have advanced; but the weekly BLS indexes indicate some narrowing of the dispersion zone. Raw materials, however, remain relatively high.

It is not difficult to account for the differences in the price behavior of these groups in the two periods. Farm products have a heavy weighting in the raw material group and Congress did not grant OPA the right to control them; but the semi-manufactured and manufactured groups were subject to rigorous control. We cannot now tell just when the extremes of the current dispersion will be ironed out. Pegging of agricultural prices at 90% of parity for two years after the formal end of the war will probably not prevent a substantial downward adjustment of these prices. Perhaps, it is a good guess that the broad upward trend will terminate some time in the first quarter and that the dispersions will tend to narrow on the down side during the balance of the year.

### Behavior of Relative Prices

If the BLS all-commodities index and each of the 10 component groups are plotted monthly for the period from 1914 to date, we can obtain a more detailed picture of the behavior of relative prices. Between 1915 and November, 1918, the chemical and drug and the farm products groups maintained the highest relative positions and the metal products group was also relatively high until price control was invoked. Housefurnishings, building materials and the fuel and lighting groups were the submerged groups and remained in this position until Spring 1919.

In the period from May, 1919 to May, 1920, the hide and leather,

textile, and fuel and lighting groups staged the great advances while foods held the most submerged position.

In the World War II period, the building materials and hide and leather groups soon soared abnormally and in 1943 the farm product group began its great rise. Fuel and lighting was the most depressed group.

Thus far in this second postwar period, the farm products foods, and hide and leather groups have climbed seriously out of line while the fuel and lighting and the chemical groups have been most depressed. With decontrol, there has been a rather rapid upward readjustment of all groups; and the stringently controlled items are moving into better alignment with the general average of all commodities.

Still another broad view of relative prices can be obtained by plotting the BLS consumer price index and the component parts of that index. In World War I, food and clothing components soared rapidly and fuel and lighting and miscellaneous items were lowest in relation to the average. In the 1919-20 inflation, the clothing group moved most seriously out of line on the upside with food and, later, furniture. In the second period, food, clothing and furniture were the highest groups and

fuel and lighting and housing were the submerged groups.

### Smaller Price Distortions Now

Aside from the fact previously mentioned that the price inflation of World War I began on a higher level than it did in World War II, study of the group dispersions indicates that thus far at least the price distortions are of smaller magnitude than in the earlier period. The techniques from which this broad conclusion is deduced are far from perfect; but, with all their defects, they seem to support this position. Critical tests will come in the next few months. There is some reason to hope that we can achieve a new price equilibrium without too severe a strain on the economy.

For the past several months, there has been wide-spread discussion in the press and at trade gatherings of the dangers of extended inventory and commitment positions. The economic havoc of the 1919-20 price debacle has been effectively dramatized. It is probable that the acute awareness of the dangers in price distortions will operate to make the pending readjustments far less serious than they otherwise would have been. There is too much fundamental soundness in the broader business outlook to warrant a "boom and bust" attitude toward our current problems.

## Industrial Share Prices in 1947

(Continued from page 3203)

have employment at high levels or falling prices in 1947. The return to office of the Republican party signals an increase in the relative power of business managers and their financial partners. Other groups, farmers, labor executives and the like, still wield great influence, and there are other reasons beside those outlined below which may affect the stock market; but the rate of expected profit is one, if not the basic consideration.

### Profits "the 64 Billion Dollar Question"

The size of profits in the future, six to 12 months ahead, is the 64 billion dollar question which the poor 25-thousand-dollar-a-year men must answer. This is the enigma of the department store head who worries in December about purchases of women's clothing to be sold in the fashion-fickle market of next May and June. This is what is on the mind of the capitalist who may stare at a Florida landscape, but cannot decide whether or not to order a million dollar addition to his plant back home.

The question of timing the moves is at the root of most business calculations and errors; should the new equipment be bought now, the inventory decreased or increased, the new sales program started now or later, or should the new product be put on the market today or next year? Since the results of decisions today do not appear until six or eight months have passed, the problem of estimating subsequent profits is extremely complicated. Two factors usually decide business planning (1) inventory ratios and (2) prime costs.

(1) Inventory ratios are concerned with finished and unfinished goods on hand. Numbers of dollars are not the all-important consideration; it is the relationship of the size of the inventory to incoming orders, to invested capital, to cash, to all kinds of facts, including deliveries. If—as was the case during July and August of 1946—retail sales are enormous, but the inventory on hand is just as large at the end as at the beginning of the month, then the situation requires the immediate attention of the chief execu-

tive. The fact that inventories of manufacturers (as distinct from retailers and wholesalers) in September, 1946, were two and one-half billion dollars higher than at the beginning of the year, is less important for the future, than the fact that two-thirds of this increase took place in the third quarter alone. The rate of increase is the important thing in relationship to the timing of the increase.

### Inventories Harm Positions

Unduly large inventories cripple company operation because a disproportionate share of cash is tied up in unfinished goods. The effect of this situation may be seen in such cases as the following examples of borrowings made partly to bolster their working capital position: Liggett and Myers Tobacco Co. \$75,000,000; Gar-Wood Industries \$5,000,000; Simmons Co. \$1,516,000; West Virginia Coal and Coke Co. \$3,000,000; Cornell Wood Products Co. \$1,250,000; Fruehauf Trailer Co. \$9,000,000; H. S. Heinz Co. \$4,850,000; Hunt Foods, Inc. \$4,000,000; International Business Machine Corp. \$30,000,000; Standard Cap and Seal Corp. \$1,500,000—and many others. This financing is usually expensive. Moreover large inventories are risky because of possible price declines—thereby endangering expected profits.

### Cost Relationships

(2) Prime costs are a second group of economic troublemakers. Prime costs are labor costs, raw material outlay and other direct out-of-pocket expenditures. The important point about prime costs is not whether they are high or low, but their relationships, especially to selling prices. In the main, it is the difference between prime costs and selling prices which determine future profits. Labor costs are rising and the effort of unions to maintain high wage levels results in rigidity of manufacturers' costs—a rigidity which is dangerous to future profits, especially in the event of price declines or low business volumes at higher prices. An increase in prime costs, therefore, leads to anxiety and skepticism as to profits in the ensuing six to twelve or more months.

## Full Employment Act and The Economic Future

(Continued from page 3206)  
knit system is to work efficiently, these multifarious plans and activities must bear a consistent relationship to each other in a comprehensive and co-ordinated scheme of national business life.

Thus the statute became a broad enabling act for systematic study of the nation's business. Under it, there are set up two working agencies—the Council of Economic Advisers to the President and the Joint Congressional Committee on the President's Economic Report. As to the former, the act provides that the President shall, through a group of professionally-trained economists, make continuing study of the entire economic situation of the country. This includes review of the activities of all agencies in the Federal establishment as they deal with economic matters and of all Government policies and programs in order to ascertain whether they are doing the utmost to facilitate and promote full and efficient utilization of the nation's economic resources or whether some of them are inconsistent, directly conflicting, or tending to retard over-all national prosperity. On the legislative side, the act sets up in the Congress a special Joint Committee of fourteen members, chosen for their interest in economic affairs and their capacity for economic statesmanship. They are to make parallel study of the nation's economic life, to the end that the legislative program in the economic field may square with a constructive national program.

Naturally, I shall limit my remarks to the work of the Council of Economic Advisers. The task assigned to us as an arm of Chief Executive's office is, as I see it, broadly comparable to the administrative policy- and program-making that is carried on by the top executives of a great corporate business, in consultation with each other and with whatever research staffs are maintained within the company or drawn upon from outside sources.

This is what I mean by saying the economic philosophy of the Employment Act of 1946 relies on managerial sense and not on any trick remedy. The purpose of the act is to achieve prosperity through promoting efficiency of the nation's business, just as the purpose of a great corporation is to achieve company prosperity through efficiency of over-all and spot management, skillfully joined. As business executives, you must at once recognize the essential similarity between this approach and that of the most distinguished corporate administrations among your own ranks. The Bell Telephone system, General Motors, and the Standard Oil Company (N. J.) occur to me as outstanding examples.

The division of function—local autonomy but overhead coordination—contemplated under the Employment Act is in many ways analogous to the relations between the operating staffs of General Motors plants located at Flint, Michigan; Indianapolis, Indiana; Cleveland, Ohio; Newark, New Jersey, and many other places all over the country and overseas, and the broad policy-making organizational co-ordination and overhead financing which center in Detroit and at 1775 Broadway. Similarly, as to American Tel. and Tel in New York, the Bell laboratories, Western Electric Company, and the highly autonomous operating companies—state, regional, or local, Standard Oil (N. J.) exemplifies the same co-ordination and flexibility between producing, marketing, administrative and research units, domestic and international.

These relationships in private business have been worked out in friendly understanding over

the years, and I trust that the years ahead may see, under the Employment Act of 1946, a comparable development of friendly understanding and organizational effectiveness between private and public agencies actively concerned in conducting the nation's business. Of course, the analogy is not a perfect one because you business bureaucrats have a much more tight control over your subsidiary agencies than government bureaucrats have over the policies and operations of the component parts of the economic system.

The Employment Act states with great clarity that its purposes are to be sought "with the assistance and co-operation of industry, agriculture, labor and state and local governments" and "in a manner calculated to promote and foster free competitive enterprise." Furthermore, the council is instructed to utilize to the fullest extent possible the services, facilities and information not merely of government agencies but also of private research agencies and to "constitute such advisory committees . . . of industry, agriculture, labor, consumers, state and local governments and other groups, as it deems advisable."

In conformity with these provisions of the act—and in conformity also with my own deepest inclination and desires—we have established contacts with numerous business, labor and agricultural organizations, and have had around our conference table President Wason and Dr. Robey of NAM President Jackson and Mr. Schmidt of the Chamber of Commerce, Mr. Murray and members of his research staff from the CIO, a group of officials from the Railway Labor Executives Association, a special committee from the Business Advisory Council (consultative to the Commerce Department) and other similar groups. Consultative arrangements thus begun will, we hope, enrich and guide our work increasingly in future years and assure for it a quality of practical realism.

This, then, concludes my first point—that the act of Congress and the actions of the council are not pointed toward monetary manipulation or any other specific formula of economic stabilization and national prosperity, but toward application of the soundest and broadest managerial principles and practices in dealing comprehensively and vigorously with the nation's business. My other two points deal directly with the nature of the government's part in this process and the part which is left to or devolves upon business. For both these topics, the key word is "responsibility."

### Government's Responsibility For High Production

By a vote of 320 to 84 in the House and a unanimous voice vote in the Senate, and after long study and extensive hearings, the Congress, in Section 2 of the Employment Act declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor and state and local governments, to coordinate and utilize all its plans, functions and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing and seeking to work, and to promote maximum employment, production and purchasing power.

This declaration of "continuing policy and responsibility" is, it seems to me, an essential counter-

part of the responsibility that top management of any corporate enterprise assumes. Such business leaders undertake to utilize the financial resources entrusted to their care, the body of workers who have become more or less definitely attached to the company's organization, and all the technical and managerial know how which they or their predecessors in office have built up over the years, so as to promote the greatest practicable volume of production with those resources in order that the company may pay as high wages as possible, charge as low prices as possible, and thus maximize the purchasing power of that part of the public who look to them either as employees or as consumers.

The central administration of a great corporation exists only by recognition of the fact that certain powers and responsibilities can most effectively and economically be discharged if delegated to officials and agencies conceived and organized to deal with the business as an integrated whole and to supply an outlook, access to finances, and technical services which cannot be supplied so well or at all by the small and more local constituent units.

The Congress in this act clearly recognized that in this day of large business units, both of capital and of labor, it is not to be expected that the actions of separate units of private business enterprise, with their individual decisions taken under the circumstances in which they must be made, can completely and continuously add up to full and efficient utilization of the nation's total productive resources. Business has always looked to its government for the performance of such special services. It has always expected it to do a considerable variety of things from the Coast Guard and Light House Service to the Bureau of Standards and the county agricultural agent, "to create and maintain conditions under which there will be afforded useful employment opportunities, including self-employment for those able, willing and seeking to work." There is thus nothing revolutionary in the declaration of the present act. It simply reaffirms in clearer terms and gives new implementation to a responsibility which is part of our traditional American system.

It now devolves upon each of us, whether in the executive or legislative branch of the government, to see that, in carrying out the purposes of this law, we study wisely and with due counsel as well as acting decisively and promptly when occasion demands. To this end, we of the council sincerely hope that you of the House of Business no less than those of the House of Labor and the House of Agriculture will join actively and sincerely in our studies of causes that impede the attainment of maximum production, employment and purchasing power and in the making of recommendations which would operate effectively toward the removal of these impediments.

This brings me to my third point, namely the responsibility of business itself in accomplishing the stated over-all purpose of the act, for I assume without question that you do accept promotion of the nation's economic welfare as the prime purpose of business.

### The Responsibility of Private Business Under the Employment Act

There was a widespread feeling among business men in the 30's that government was antagonistic to business—even that a death sentence was being pronounced on private enterprise. During and since the war, there has been a considerable rebound from that state of mental gloom. Business

men have pointed with great pride to the fact that, in the war emergency, private industry performed miracles of production and became the savior of the nation and of the democratic world. It thus demonstrated the superiority of private enterprise over any other system on earth. In the judgment of some at least of these spokesmen, government should now get entirely out of the business field, content that the economic future of the country is safe in the hands of those who demonstrated anew their complete adequacy in the war period. (On examination, however, it becomes clear that they do not want that "entirely" to be taken too literally.)

I believe that both these views require a little re-examination. Without in any sense attempting to justify all the mistakes that were made in the 30's, I do not believe it could be said in any broad way that government hated business or intended to destroy the private enterprise system. I believe that the fair verdict of history will be that there were serious defects and shortcomings in the private enterprise system as it was practiced in the 20's. I believe that verdict too will be that, in spite of some extremists, the great body of sane and intelligent people sought reform and supplementation of private enterprise system, not its destruction.

It appears to me also that even the glorious achievements of American business in winning the war did not quite demonstrate that private management had mastered the last lessons of economic science so well that our economic life should henceforth be turned completely over to them and no questions asked. The war record of industry was a stupendous technological and engineering achievement. But no one, I think, ever doubted or needed fresh proof of the tremendous capacity of American industry in this technological field.

To have carried through the bookkeeping and disbursing operations necessary even to this gigantic operation can hardly be considered a solution of the economic problems of self-sustaining prosperity in a peacetime economy. Business was not, during the war, relying upon voluntary arrangements made in an open competitive market—for goods, for labor or for capital. It did not have to sell its war product, simply deliver it. It received material through allocation and got labor under conditions of draft exemption, the patriotic urge, and wage control and strike moratoria which are quite foreign to the bargaining relations of a peacetime market. This war economy was not balancing its books quarterly, yearly, or within the war period. Much of the money that "made the mare go" in the industrial field was pumped in by a process that left us with a war debt of \$275 billion.

It seems to me that the country has probably given fair evaluation to all these factors of free enterprise in the 20's which ended in a grand smash; of government control of business in the 30's, which failed to get us out of a depression; and of the wartime business of the 40's, in which government and private business in partnership muddled through the strains of a war emergency but by no means arrived at final answer to the problem of stabilized peacetime activity. In the light of this evaluation, they have, through the courageous but tolerant philosophy of the Employment Act of 1946, given the system of private enterprise a new lease on life, making it the foundation and cornerstone of the system on which we propose to maintain our position as the leading nation in the postwar economy of the world.

This act assures private business a more favorable environment in which to work than they thought in the 1930's they could again count upon. Some might

say that, if there was at that time a sweeping indictment brought against the management of private business in this country, it has now been tried out at the bar of public opinion and no death sentence has been passed. It would, however, be too much to say that the charge has been completely dismissed. It might be more accurate to look at the present situation as one of probation, in which it is up to private business management by its future acts, to justify itself in the more favorable surroundings now provided.

I would suggest that the key to this changed and on the whole promising outlook is to be found in the phrase which is common to the Employment Act of 1946 and to NAM declarations of principles and other documents of this body which have been made again and again. That phrase is "free competitive enterprise" in the declaration of policy of the act. You frequently use it in the form "competitive private enterprise." The essential word is "competitive."

I have just called attention to the fact that industry did not operate in a competitive market during the war, but in a controlled market in a deficit economy. Neither have you operated in a normal competitive market during the last year. It was still essentially a seller's market characterized by inflation, the absorption of a substantial amount of wartime savings, and a noticeable resort lately to credit extensions and instalment buying. It is pretty generally agreed that next year business will move into a truly, and at many spots no doubt a sharply, competitive market.

That will be the testing time of business. It is up to you to show your capacity to do business in a buyer's market. Unless you can allow the full volume of productivity of our capable labor force, our ample plant and our marvelous technology to continue unabated and absorb within your long-time accounting, financing and managerial system such price declines as result, you will not have shown a capacity of the competitive free enterprise system adequately to serve the nation's needs.

I am not suggesting that this is easy. But, over all and in the last analysis, production provides its own purchasing power and the level of prices is not important if the whole wage and price structure is properly adjusted part to part. It is the attempt to prevent or slow down such adjustment by protective actions that restrict the volume of production that creates the mischief. Competition works itself out in a market of small units because no one can arrest or interfere with the competitive process. But our world of large organized units gives plenty of chances to put sand in the bearings if the respective parties want to try it. Turning one's back on such evasion of the law of supply and demand and finding ways to go on with full use of available resources—that is the meaning of competitive private enterprise and the challenge of the years ahead.

It is your responsibility to the system in which you profess undying faith.

At this point, you may say that I should not be saying all this to you but to the labor leaders. It is quite true that this applied also to them. I hope some day I'll have the chance to say it to a labor audience. But you can't pass the buck to labor any more than labor can pass the buck to you. They also regard themselves as part of the system of competitive free enterprise, and you must both of you find a way of getting together to hammer out a mutually sound adjustment.

I happen today, however, to be talking to management, and so there is one general point I want to leave with you concerning the issue

of stimulative competition vs. restrictive control. It is part of your responsibility in building a competitive system that will bring about maximum production, employment and purchasing power to see that, in coming to government for economic legislation, you do not seek restrictive measures but rather those that prevent restriction, price maintenance and monopolistic control—just as much on your side of the fence as on labor's.

Management is talking today a great deal about labor monopoly. As an observer, I am quite aware that it exists. As an economist, I see and deplore—for labor no less than for the rest of us—the deleterious effect it has, at those places where it exists, on the attainment of "maximum production, employment and purchasing power." But let me caution you that in your efforts to purge labor of restrictionism there be no hidden desire to make a buyer's market for labor or that your own structures and practices do not harbor monopolistic restrictionism of your own. I hear a good deal about plans for fighting price readjustment in 1947.

My final word is as to the tremendous importance of the responsibility that at this moment devolves upon us all. Whether operating through the private organizations of business or the wider public organization of government, we face a solemn hour of testing. At the end of a struggle that leaves most of the world

lean and sick among ruined plant and meager resources, we are fat and strong and richly supplied. Are we going to spend so much of our time in quarreling over the division of the product or the prerogatives of management and the rights of workers that the product itself is curtailed and our rich resources stand only partly used?

It does not seem to me to require any abnormal degree of nobility amongst us to hope that we may come together for collective bargaining in good faith between the two basic partners in business so that production can go on so that all may share more largely. On the contrary, failure to do so would seem to me to reveal an unbelievable strain of stupidity or lack of the practical business sense or flair for efficiency that we like to call American. The major gains of "maximum production, employment and purchasing power" would go to our sleek selves, not the hungry and weary of other lands. But sustained prosperity here would help them much by furnishing an active market in which they could sell and a productive market from which they could buy sorely needed goods. I would not be so quixotic as to suggest that America divide its coat with the poor man overseas. But we presumably would not grudge it if, by spreading as bountiful a table for ourselves as we are capable of providing, more and bigger crumbs fall to the mouths of the less fortunate.

A second approach to forecasting is by statistics and the forecast of values. And then the forecasting of the discount or premium between value and price. It seems to me that the discrepancies between value and price are so variable that a reasonably accurate forecast of stock prices by scientific methods is highly improbable. By scientific methods, I mean methods sufficiently standard so that two statisticians of equal statistical ability starting at the same time would arrive at the same conclusion.

It is statistically possible to say at a given point "prices look high." But the practical stock trader will say, "OK, Mr. Analyst, but how much higher can they go and how long can they stay up?" Without those two answers, the fact that prices "look high" is of interest only to capital of vast patience and small avarice.

I do not know of any way of forecasting the extremity or the duration of a move in stocks. I know many of you will disagree, but I think that the best that a statistical approach to the stock market will do is to raise caution signals. And while in individual stocks statistical study is essential, its greatest value is in determining the attractiveness of a stock price in relationship to the market as a whole.

Over the last few years there have been many studies of the break-up values of utility holding companies. I recall one that was so confident that the end figure was given with decimals attached. But few, very few, warned the reader that this value was subject to revision without notice if general market conditions changed.

Another drawback to the pure statistical determination of the value of a stock is that most stocks and groups have individual "habits." For many years Radio Corp. of America has persistently sold for more than statistical yardsticks would indicate it should, whereas South Porto Rico Sugar has sold for less.

To over-simplify, the price of a stock is what somebody will pay for it. It isn't even the price you see in the paper. As one cynic remarked, you can't sell them to the New York "Times."

I believe that market place skill develops an ability to guess what the price movements may be over short-term fluctuations, and that a correct forecast of business and monetary conditions can give important clues to probable long-term trends, but that market forecasting can never be an exact science except within narrow limits. This is regrettable because the big profits are made by utilizing the extreme limits.

#### Should Be Business Not Pastime

If I am correct in my assumption that profitable stock market forecasting can be accomplished by neither mechanistic or purely statistical means, it would seem logical that the most proficient forecasters would arise from the ranks of those men to whom observation of the market is a business and not a pastime, and who possess or can obtain the necessary statistical data. But there are several reasons which, while not disqualifying brokers as forecasters, would seem at least to prejudice the case against them.

#### Systems

I do not profess to be familiar with these systems because I am not sufficiently greedy to be willing to exchange what brainpower I have for a calculating machine. But I have seen many of them in

actual use and regret to report that their users seem more persistent than pecunious. Although many will disagree, I feel that such systems, while perhaps being useful tools in the kits of some forecasters, seem in themselves on a parity with systems to break the bank at roulette. Or to break the totalizer at Jamaica.

The most persistent advocates of these systems are the men who sell them. But to them I have often felt like saying, as did the rustic to the would-be city slicker, "If you're so smart why ain't you rich?"

A second approach to forecasting is by statistics and the forecast of values. And then the forecasting of the discount or premium between value and price. It seems to me that the discrepancies between value and price are so variable that a reasonably accurate forecast of stock prices by scientific methods is highly improbable. By scientific methods, I mean methods sufficiently standard so that two statisticians of equal statistical ability starting at the same time would arrive at the same conclusion.

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The first trouble with the broker is that all he reads and hears

is practically without exception bullish, except possibly in the last moments of great declines.

Last summer, when something obviously had begun to ail the market, all I heard was, "Well, we can't expect much of a rally until Labor Day." Later, after the decline, it was, "Wait until the election." Now it's, "Wait until after the holidays."

That book on Wall Street mores entitled, "Where Are the Customers' Yachts?" summed it up by observing that practically no broker leaves to get a bite to eat without looking at the ticker and sagely remarking to all within earshot, "It looks like a rally after lunch."

And as for reading matter, all of it except what an analyst prepares for private consumption, is just about universally bullish. Once in a long while a study will come to the gentle conclusion that perhaps "better situated issues" may be found.

All this makes independent thought very difficult. There are a few men in the Street who have achieved it. Unfortunately, most of them have labored so hard not to follow the crowd that they have become congenital bears, never relaxing for those great speculative markets when the wise man follows the fools, and only the fool tries to be wise.

#### Clients Demand Bullishness

Another difficulty the broker faces as a forecaster is that his clients want bullishness and his business needs it. He must be master of his subconscious as well as his conscious if he is to remain unaffected by the knowledge that a firm without buying suggestions will not only get few new accounts but is apt to lose many old accounts unless its bearishness is rewarded with immediate and startlingly visible results.

By what has been said thus far I hope I have pointed out the hazards of successful market forecasting sufficiently so that if I am totally wrong in what I am about to say, nobody will be the least surprised. But of course if I am right, I shall take full credit for great wisdom. In this respect I am perhaps like a customer for whom I executed a very difficult order right at the close. "I hope you are satisfied," I said to the customer. He looked at me with an air of great innocence. "How can I possibly tell until tomorrow?" he asked.

#### Higher Prices Expected

I think that the selling since midsummer has brought the stock market to levels below those justified by conditions likely to prevail towards the end of 1947. For that reason I believe that some time next year we will see prices considerably higher than at present. During the interim there may be weakness here and there but I think numerous stocks are already at safe levels. I don't see why so many people who failed to catch the top of the bull market are so sure they can catch the bottom of the bear market.

My prediction is based on the belief that sufficient immediate demand for goods exists to permit a reasonable rate of business while the misfits in our economy are being straightened out. It is also based on the belief that there will be no general weakness in commodity prices. But perhaps these beliefs are too hopeful.

If they are, the alternative would be a sharp decline in business, general deflation, and large unemployment. Perhaps the new Congress would sit by and take it. I doubt it. Once again the economists would be summoned with a cry of "Quick, boys, the needle."

My letters have often referred to "The Great Inflationary Market of the Forties." Perhaps the word "great" will have to be dropped. But the debt is still with us, we still lack the national willingness to pay it the hard way, and under

those conditions I see no reason to anticipate a prolonged or severe decline from here on.

"Errors and Omissions Excepted."

## Danger to Liberties Of Mankind Seen In Present Conflict

The conflict between power and liberty has "never been so acute," never so dangerous to the liberties of mankind as now, it was asserted on Dec. 5 by John W. Bricker, Republican Senator-elect of Ohio. These remarks were credited to Mr. Bricker in the New York "Herald Tribune" of Dec. 6, which, it noted, he made in addressing the annual banquet of the Toy Manufacturers of the United States of America, Inc., at the Hotel McAlpin in New York. The address was extemporaneous, and in its further account as to what Mr. Bricker had to say, "the Herald Tribune" stated:

The fight to preserve and spread the ideals of human liberty "is resting on the shoulders of the people of this country," he said, adding that the Anglican system of law and the English-speaking people of the world represented "the greatest power for freedom in the world today."

The greatest danger, he said, comes from "within, not without," the country. He said the "quickest way to make the nations of the world again respect America" was to purge from the Government everyone harboring alien philosophies.

## Christmas Greeting Cards

Printed greeting cards mailed domestically under cover of unsealed envelopes are chargeable with postage at the third-class rate of 1½ cents for each 2 ounces or fraction of 2 ounces. Postmaster Albert Goldman announced on Dec. 5, his advice also stating:

"Printed Christmas and other greeting cards in unsealed envelopes may bear a simple written inscription not in the nature of personal correspondence, such as 'Sincerely yours,' 'Merry Christmas,' 'Happy New Year,' 'With best wishes,' etc., together with the name and address of the sender and of the addressee, without subjecting them to more than the third-class rate."

"Christmas greeting cards for U. S. soldiers overseas must be sent in sealed envelopes and prepaid at the first-class rate of postage 3 cents for each ounce or fraction of an ounce."

"Greeting cards, sealed or unsealed, bearing written messages other than the simple inscriptions above mentioned, as well as all cards sent in sealed envelopes, are chargeable with postage at the first-class rate of 3 cents an ounce or fraction of an ounce."

Postmaster Goldman also advises that large numbers of Christmas greetings, mailed in unsealed envelopes at the third-class rate of postage, are disposed of as waste each year because they are undeliverable as addressed, due to removal of the addressee or other cause. Such greetings are not entitled to the free forwarding privilege accorded those mailed in sealed envelopes at the first-class rate and consequently, the senders in many cases never know that the greetings were not received by the addressees. This would not occur if the greetings were mailed sealed at the first-class rate. In view of

the foregoing, patrons are urged to send their holiday greetings at the first-class rate, as when so sent the greetings may be sealed and contain written messages not otherwise permitted.

## Should Obsolete Equipment Be Replaced Now?

(Continued from first page)

complex factors involved lead him to the conclusion that "the readiness with which an economy translates the results of technological progress into new investment, the resistance which it shows to depression, and the ease with which it recovers, depend in large measure upon the willingness of industrial enterprises to increase their expenditures for equipment and for the development of new products more or less regardless of the general business situation—to step out in advance of other concerns and make commitments. In other words, it depends upon the relative attractiveness of venturesome and daring production plans in comparison with cautious production plans. The dynamic influence of venturesome production plans has been under-rated in recent economic developments."

Some overly conservative organizations may deem it advisable to postpone capital improvements until the depression phase of the next cycle in the hope of getting equipment and installation at lower costs. To this Professor Slichter says: "These things may happen, but they cannot be counted upon to happen. In fact . . . unemployment may provoke a flood of attempts to protect markets by restrictions which narrow the area of innovation, cut the marginal return on investments, and produce unfavorable shifts in the schedule of liquidity preference. Numerous examples of this kind of response can be gathered from the recent depression, both in the United States and abroad."

In this statement we have an explanation for the failure of the railroads and many other industries to make the capital investments during the last depression that in theory they should have made. The marginal efficiency of capital is highest during the prosperous phase of the cycle—as now. Under the circumstance, it seems expedient and advisable to purchase and install new equipment during the prosperous phase of the cycle while the marginal efficiency of capital is highest. Especially is this true when such new equipment is to a large extent only a replacement of inefficient, obsolete, worn-out machinery that is a constant maintenance liability.

That the marginal efficiency of capital investment will be higher now and in the near future results in part from the fact that there is no assurance that the cost of new machinery and its installation will be less over the next few years. Instead, the trend will probably be higher instead of lower. Furthermore, the quality of the new machinery will be better than that now in use. The resulting savings should tend to balance higher costs today, compared to prewar years, and thereby further increase the marginal efficiency of the new capital investment.

Even though costs are up now 30% to 40%, the maximum reduction in cost of new equipment and its installation would not be less from existing levels by more than 5% to 10% if we should have a serious depression in 1947. This is, however, quite unlikely and improbable. Since a serious price break in 1947 is a remote possibility according to a large majority of economists in the country, it may not be advantageous to postpone such purchases. Indeed, the overwhelming opinion of economists now is that there is no real depression ahead of us for at least five to eight years.

Even assuming they could be wrong, new machinery bought and installed now would increase the efficiency of the plant and enable it better to weather such a depression than could possibly

be the case with existing equipment.

Again it should be pointed out that even when financially able to do so, industries just don't buy new equipment during depression because of the lower marginal efficiency of the capital. In periods of depression the government is the only agency or organization in a position to make capital improvements in the form of highways, parks, postoffices, etc. Private business cannot do so. If it could, there wouldn't be a depression. The government can make such investments out of borrowed money, regardless of the marginal efficiency of the capital investment. Industry finds it expedient to make such installation during periods of prosperity when the marginal efficiency of capital is high.

Again quoting Professor Slichter, "Nothing can prevent us from realizing the possibilities of modern technology, except unwillingness to place a high valuation upon certain common interests, particularly our interest in enterprise, experimentation, innovation. Never has the folly of narrowly pressing special claims been greater."

Not only can we assume that a depression is not a desirable time to buy because of the low marginal efficiency of capital, which would more than counter-balance any possible reduction of 5 to 10% in cost of the machinery and its installation, but we must reckon with the period of delay until the depression phase of the cycle overtakes us. If the overwhelming opinion of economists is correct that we have from five to eight years of prosperity ahead of us following a moderate recession in 1947 that will largely be confined in its adverse effects to agriculture—then it will be necessary to put off the purchase of the new machinery for at least five years. If the present obsolete machinery can be made to serve for at least five more years—perhaps eight years—then a case could possibly be made for postponement. However, even then, increased cost of maintenance, operation, etc., with obsolete equipment, would probably make it impossible to accumulate the necessary funds with which to make such purchases and installation or to continue operation on a profitable basis.

It is necessary, therefore, that the increased efficiency of the new machinery, lower costs of operation, etc., be considered from the above viewpoint. Gambling on possible small savings from a depression in 1947 seems too large a risk to run in view of the actual cost factors involved. From the information available to the author, the marginal efficiency of the present obsolete equipment under consideration is low, virtually zero. With a constant, if not rising demand, during the next five years, the marginal efficiency of new machinery will run high.

### A Long Period of Prosperity Ahead

Thus, during the next five to eight years of prosperity, the technical efficiency of the new machinery and the greater money return on the marginal efficiency of the capital invested, should work together to justify the purchase and installation now, regardless of what may take place in the way of a temporary recession in 1947. It would seem inevitable that these two factors should more than counter-balance any "high" costs today of new machinery.

On Oct. 18, 1946, the F. W. Dodge Corporation, New York City, released the results of the replies it received from 72 non-government economists participating in a survey conducted by its President, T. S. Holden. The group polled included economic

consultants and economists connected with business corporations, financial institutions, universities, and economic research organizations. The author was one of the 72 persons included in the survey.

The majority of these 72 non-government economists believe that general commodity prices will reach a peak in 1947 and then turn down. As a result, they expect a mild business recession with employment not seriously affected. Fifty-three economists foresee the peak and a mild recession to start before the end of 1947; one expected it within 18 months, while 12 expected it after the end of 1947. Only one of the 53 economists who foresee a recession before the end of 1947 expects such business recession to assume serious proportions. Twenty-three of them characterized the coming recession as "mild"; 24 of them, as "moderately serious." Twenty-eight of the 53 (the majority) do not expect serious unemployment; nine expect unemployment of moderate seriousness and 12 expect serious unemployment.

With regard to the duration of the recession, two-thirds expect it to last less than 12 months in consumer goods prices; 60% expect less than 12 months of downswing in building material prices, and 55% expect less than 12 months of declining prices in durable goods, other than building materials.

An average increase of about 5 points in the Bureau of Labor Statistics' index of wholesale prices of all commodities is the expectation of the 53, whereas they expect an average increase of a little under 10 points before the anticipated 1947 peak is reached. The index stood at 128.4 on Aug. 24, 1946.

With regard to building materials prices, 32 of the 42 answers indicate a smaller percentage drop from the peak than would occur in general commodity prices.

The minority of 12, who expect the price peak after the end of 1947, expect larger price rises than do those of the majority group. This minority of 12 expect an average increase of about 40 points before prices reach a peak.

The six economists who refrained from specific answers to the questions asked cited uncertainties in the foreign situation, domestic politics, government controls, and union labor attitudes as reasons why no answers could be hazarded.

Under the date of Dec. 2, 1946, there is a statement in the press to the effect that "13 of 14 leading economists agreed today that the United States is heading into a minor depression, but only one economist believed the nation faced hard times like those of the early 30s."

The United Press polled 14 of the nation's ranking economists on the question: "Do you believe we are heading into a major depression and if so when will it strike and how long will it last?"

Four replied "yes"; nine said "no"; one was undecided.

Nine believed the nation was heading for a minor depression. One saw neither a minor nor a major depression in the offing. Several predicted varying periods of prosperity after a minor depression.

The most optimistic economist in the group stated that he did not see "even a minor depression in the offing, but the confusion created by inflationary forces may cause short-term setbacks which are bound to be overcome quickly by the rising volume of money and its rising velocity of circulation."

In an address to the Economic Club at the Hotel Astor, New York, Nov. 20, 1946, Secretary of the Treasury John W. Snyder asserted that this country is enjoying "the greatest period of

prosperity in its history." He decried "talking us into a short period of hard times. . . . We need to guard against the developing depression psychology in this country, which might, if unrestrained, see us literally talk ourselves into at least a temporary period of hard times."

The Secretary supported his theme that no fair appraisal of "America Today" can justify any feeling that a material recession in "America Tomorrow" is inevitable by listing the many evidences of prosperity in the United States today, including the highest level of employment ever experienced in the peacetime history of the country, the sound condition of our banks in contrast with conditions in 1929, and the tremendous consumer demand that exists for housing, and many other commodities. He could have pointed out the excellent financial condition of our farmers in contrast with the virtual bankruptcy of American agriculture after World War I, and the need for capital investments in new and modern machinery that will continue almost unabated for at least several years to come.

Even the present disastrous maladjustments resulting from the unfortunate strike in the coal industry—serious as they are—should not precipitate the major depression in 1947 that pessimistic and over-conservative persons seem to anticipate—unless it lasts unduly long. Instead it may prove to be inflationary to a marked degree in its effects on our economy. Today in this country we have all the ingredients to prolonged prosperity and a higher standard of living except one—the will to work. However, labor unrest does not seem to be a serious factor in the reasoning of those persons who predict a major depression in 1947. In so far as this study is concerned, the outcome of the existing industrial conflicts does not indicate lower costs in the foreseeable near future.

In reply to certain of the questions that were asked, the author stated that he anticipates a mild recession in 1947, but not a serious one. He does not believe it will cause serious unemployment or lower wages, nor will it cause a prolonged period of readjustment. Agricultural prices will be the ones most seriously affected, but government support must be reckoned with here. He can see no important reductions in prices of machinery and its installation of the type needed by this concern within the next several years.

It is his opinion that a serious depression that will affect prices and wages materially is five to eight years away. He can see little or no gain from any delay in the purchase and installation of the equipment needed to replace the obsolete and worn-out machinery.

Instead, the concern will miss the opportunity to use the new machinery when the marginal efficiency of the capital investment will be high.

It will fail to realize on the maximum depreciation under our tax laws while taxes are high.

It will fail to market its product while demand is reflecting the increased purchasing power of consumers.

The concern will be producing at higher costs, whereas with new machinery, it can produce more efficiently at lower costs and in greater volume.

It can pay out its investment in a shorter period of time.

It is producing a luxury product, the demand for which will be less in a depression. Experience shows conclusively that a plant not built or modernized in a period of prosperity is certainly not going to be built in a period of depression even if equipment and labor costs are lower and in many cases, even though funds are available.

If the concern could delay the

purchase and installation for a period of five to eight years, it should be able to buy and install it at a lower cost. However, the author does not believe that the concern can afford to gamble on any "savings" from such a delay in the foreseeable future. On the other hand, if the investment is made now, it will be in a position to face the future with confidence regardless of the particular timing of a recession or even of a major depression. For, in the author's opinion, the marginal efficiency of capital during the next five years will be greater than at any time since the early 1920s.

Every business today must view its expenditures in relation to tax laws. Obsolete machinery and equipment that can no longer be depreciated is a tax liability. New equipment that is subject to a normal 10% annual depreciation can be a major factor in reducing taxes and reduce the cost materially of such new equipment. Under present tax laws that call for 38% or higher taxes, this is a major factor to be considered.

Furthermore, the trend in the future should be toward lower taxes. This means that an early purchase of new equipment will effect a greater tax savings through a 10% annual depreciation, than if its purchase is delayed to a later date. In dollars and cents this is a strong argument for purchases now of new and necessary equipment. The present tax laws hold out a major incentive to buy now any new equipment that is needed or can be useful in a modernization program.

The longer major tax reductions are postponed, the greater will be the benefit to a company which purchases its new equipment now on the basis of an annual depreciation of 10%. Furthermore, even if taxes should be reduced 10 to 20% in the next year or two, the sooner such purchases are made, the greater will be the credit on taxes from such depreciation. To postpone such purchases until a possible depression phase of the business cycle develops would cancel this item of reduced cost through an annual 10% depreciation on a higher tax level.

Photo lithography plants that purchased new equipment in the boom period are the ones that survived the crisis. This is a concrete example of the practicability of capital investments when business is good. Invariably, those business firms that delay such purchases in anticipation of buying new equipment and modernizing in the depression phase of the business cycle, are unable to weather this phase of the cycle in competition with those firms that were bold and progressive when business was good.

### Industrial Investment Decisions

Economic expansion takes place during periods of prosperity. In an article, "Anticipations and Industrial Investment Decisions" in the "American Economic Review," Supplement Part 2, March, 1942, Professor Norman S. Buchanan states that "the marginal efficiency of capital to the firm, tends to be a function of the degree of competition and the presence or absence of technological improvements in productive equipment. . . . The demand for capital goods by imperfectly competitive firms must be extremely inelastic with respect to price. In depression it must approximate zero. . . . The more nearly industries approach the competitive pattern, the more do expense elements come to assume the dominant role in entrepreneurial calculations of the marginal efficiency of capital. . . . Any actual or imminent rise in product prices (for firms in pure competition) is likely to be soon followed by the installation of more productive equipment in order to increase output. . . . The more research and chance discovery render existing plant and

machinery obsolete, the greater will be the annual outlays for investment goods on private account. Furthermore, the more nearly the structural organization of industry approaches a competitive pattern, the greater the stimulus to investment from any specific technological improvement. . . . We can be quite certain that any improvement in gross income anticipations will be a more potent stimulus to investment goods buying than diminution in the prospective cost of any one purchased input, e.g., materials or wages. . . . Unless anticipated sales are large enough to tax the production facilities the firm already has, the marginal efficiency of capital will not be positive regardless of how low is the purchase cost of capital instruments. This is the most obvious reason why many firms do not even maintain, let alone expand, productive capacity in deep depression."

Harold G. Moulton et al. of the Brookings Institution point out in their book, "Capital Expansion, Employment and Economic Stability" (1940), pp. 171-182, that "the effective life of most types of industrial machinery is commonly regarded as approximately ten years. Moreover, depreciation is commonly charged at the rate of 10% annually — a rate which is allowed by the income tax authorities as a basis for computing taxable income. . . . A survey made by the "American Machinist" as of the middle of 1937 indicated that 61% of the machines in place were over ten years of age, a figure that may be compared with 48% in 1930 and 44% in 1925. (See article by John Haydock, Oct. 20, 1937, "Plant Rehabilitation Only Started." In a more recent survey the Warner and Swasey Company of Cleveland polled 251 corporate users of machine tools as to the age of their equipment and the extent to which replacements were made in the three years, 1936 to 1938, inclusive. This census showed that of 120,864 machine tools in place, 67.3% had been bought prior to 1928, and only 9.6% in the three years, 1936 to 1938. The striking fact brought out by these figures is that even in the comparatively good years, 1936 to 1938, the average rate of replacement had been only 3.2%. It is evident from these figures that in the important metal working industry very extensive replacements will have to be made within the next few years if the former productive capacity is to be maintained. . . . The Association of Cotton Textile Merchants of New York has recently made a survey covering the number and age of textile machines. The survey shows . . . that on Jan. 1, 1939, nearly 87% of the spindles were more than ten years old.

of the capacity was from 15 to 25 years of age and another 28% from 10 to 15 years old. That is to say, more than 60% of the present steam-electric plant should be replaced or rebuilt within the next few years. . . .

Data with respect to capital expenditures indicate that replacement since 1929 has been subnormal. . . . Only a small proportion of the plant and equipment in existence in 1929 had actually been scrapped by 1939. The fact cannot, however, be escaped that the average age has greatly increased and that extensive replacements will in due course be indispensable if productive capacity is to be maintained. It will be recalled that even the wonderful one-horse shay collapsed eventually. . . . The aggregate increase of capital required to make good the impairments and to provide for the increased population was estimated in another study by the Brookings Institution (The Recovery Problem in the U. S., 1937) at somewhere between 22 and 26 billion dollars. . . . It does not appear that any great change in the situation has occurred since 1936. . . .

In view of the enormous requirements outlined above it would appear to be evident that a very great growth could occur in the years that lie ahead, even if there were no development of significant new industries.

Since this study was made most of this machinery and other industrial equipment is six years older, little or no replacement being possible during the war years since 1940.

This study by the staff of the Brookings Institution is vital to an understanding of the problems involved in this survey.

It is quoted at such length to show the enormous demand that does and will exist for new equipment in the several years ahead. If the facts are correct as set forth, it seems difficult to understand how lower prices can be anticipated for new equipment, even if a recession should become a reality in 1947.

The survey proves clearly what has been set forth elsewhere in this analysis, viz., that new industrial equipment is not purchased and installed in periods of depression when the marginal efficiency of capital is low or zero. It is only in periods of prosperity and expanding business that the marginal efficiency of capital expenditures is high, making inexpedient and uneconomical any delays in such investments because of "high" costs of machinery. As pointed out elsewhere in this study — and the above data proves it conclusively — "a plant delayed may never be built."

#### Forecasts of Business Conditions

Many forecasts of business conditions in the near future have been given considerable publicity. An analysis made by "United States News" for Nov. 1, 1946, indicates that "the six months immediately ahead give every indication of a continuing boom, with high prices and a high volume of sales. A general price break at retail levels is in prospect for the April-June period of 1947." However, "the extent of the recession very probably will be moderate compared with 1929-31 or with 1937-38. . . . Even at the bottom of the recession ahead, industrial activity is expected to be near the level of 1941, which by all prewar standards, was a peacetime boom year. No repetition of the 1929 collapse appears likely in the near future."

In the issue of Nov. 8, the "United States News" states that "the general outlook in business communities is one of restrained optimism. . . . Businessmen appear to feel that a recession (in 1947) will not be unduly severe or prolonged, and they look for a

period of good times to follow, lasting perhaps several years."

In the "Commercial and Financial Chronicle" for Oct. 31, 1946: Stacy May, former Director, Planning and Statistics Division, War Production Board, holds that we are facing a recession, but of smaller magnitude than 1920-21.

Earl L. Butz, Professor of Agricultural Economics, Purdue University, in the issue of Nov. 7, 1946, asserts that the forces that underlie our economy indicate prices will continue to rise. Buyer resistance and increased production may force a recession of prices to "1944 levels." This was certainly not a year of depression!

In the Oct. 3, 1946, issue of the "Commercial and Financial Chronicle," John L. Rowe points out that "discord in political, industrial and social spheres is only on the surface."

In the Oct. 10, 1946, issue, Harold B. Dorsey, President of Argus Research Corporation, argues that we are facing a permanently higher price level due to much higher wage costs and farm commodity legislation. After World War I prices leveled off 45% above prewar prices. Mr. Dorsey argues that the present inflation potential is even more powerful.

Every issue of this excellent paper contains opinions and articles that indicate that any recession in 1947 should be only temporary. Rarely is there a disagreement with this conclusion among authorities, who have studied the problems involved.

Babson's Business Service, Nov. 4, 1946, "Business Depression?" states: "We can foresee readjustments in specific lines of business, both as inevitable and desirable. We do not, however, believe that next year (1947) will witness a decline in business of any such proportions as we experienced in either 1921 or 1929. . . . All in all, we are inclined to be optimistic on 1947. Some corrections here and there will occur, but we predict the biggest volume of production for any peace year.

"Deflationary tendencies (in 1947) are not expected to be harsh enough to upset general business."

It is pointed out in this same issue that to meet the increases in wages, higher prices of raw materials, etc., it is necessary to "cut as far and as quickly as possible." Efficiency must be the byword of those organizations which come through the next year or so in good health. Without the highest possible pitch of efficiency, faltering companies will go down. New-up-to-the-minute, labor-saving machinery and devices are the key to the solution of this problem.

From Babson's Business Service, Nov. 4, 1946, we note the following statement: "Businessmen are receptive to making purchases of necessary equipment and supplies when the current situation shows a considerable increase over the corresponding period of a year back. Railroads are showing a 100% gain as against the extremes of despondency last spring. Factory employment is 16% better than a year ago. Payrolls are 22% better than a year ago.

"We are still so far from any cyclical downturn that most fields of activity can continue to plan for a large volume of business provided imagination is used to keep costs below those of competitors." The major—if not the only—way to accomplish this today is through the use of the latest, most modern labor-saving machinery. Obsolete, worn-out equipment will constitute an unsurmountable obstacle.

"Those businessmen who fear a great depression in 1947 will, we think, later be proved to have been unduly alarmed."—Babson's Business Service, Oct. 28, 1946.

In a free economy, the proper working of the law of supply and demand insures a gradual shifting

out of the uneconomic producers. In a period of high demand, such as we are now experiencing, the inefficiency of producers becomes obvious. Unless emphasis is put now on efficiency, inefficient producers will find themselves at a great disadvantage when recession does come.

In this analysis we see a major reason why many progressive industries are insulating themselves now against any reaction in business whether it comes in 1947 or later. It is essential now to set up the most efficient organization possible with the latest new machinery. Such industries survive depression when it comes. Those industries which wait for a depression that may not come for years to equip themselves with efficient, up-to-date new machinery as a rule find that they have waited too long. If and when the depression does come, they are not prepared to weather it.

Authorities are generally agreed that for two years or more there will be an almost universal lack of steel. Today's record peacetime output of steel will fail to make any substantial inroads on the overwhelming backlog of orders. It is a situation that will continue to harass many industries. Indeed, there is slight prospect that supply can or will overtake demand in the foreseeable future. Shortage of steel in 1947 may be even worse. Natural growth is a major factor to be reckoned as basic to a continued scarcity of steel in the indefinite future. Under the circumstances there is little reason to hope for lower prices in steel, machinery, etc., for several years to come. Babson's Business Service, for Oct. 28, 1946, and also Oct. 7, 1946, discussed this in detail.

In the opinion of various commentators, prosperity will continue for an indefinite period. Recent and present uneasiness is viewed as a temporary postwar attack of nerves. There is a state of general economic good health due primarily to the existence of exceptional consumer demand. This economic good health should continue strong because it is backed by unprecedented buying power. More people are engaged at higher real wages than ever before in times of peace. Today's demands will sustain employment and thus create more demands tomorrow.—Babson's Business Service, Oct. 7, 1946.

In spite of current pessimism, it was the opinion of the businessmen who attended the annual Babson Business Conference (reported in Babson's Business Service for Sept. 30, 1946) that the total volume of business will show further expansion in 1947 over 1946 and that it will probably hold its high levels throughout 1947. In fact, they felt that 1947 should show a 5% increase over 1946. There is "the incontrovertible truth that America is still a vigorous and growing nation." A national income of \$185 billions is predicted for 1947—a purchasing power that should be spread over all classes of buyers. The only important group that may be vulnerable to a limited decline in 1947—in the latter months of the year—is the farmers. However, even if subjected to the anticipated decline, farm income should still be massive.

Originating from Washington, a sampling survey of the nation, supports the prediction that good times will be long sustained. The basis for this will be the buying power that will flow from current income and expansion of credit, rather than from war savings.

Furthermore, both management and organized labor are agreed now that increased production is essential to the welfare of each group. Here is a real incentive to modernize in order to produce efficiently and economically. "To procrastinate is to lose the chance." The Sept. 9, 1946, and Sept. 2, 1946, issue of Babson's

Business Service, discuss these problems in detail.

Finally, in the Dec. 2, 1946, issue of this Service, it is pointed out that even if the current sharp upsurge in prices is later replaced by a period of deflation and declining costs, it will not be possible for a long time to come, if ever, to replace plant and equipment at original cost. It is emphasized that "where obsolescence is also a factor, the problem is all the more acute."

#### Status of Railroad Equipment

A case study of railroad capital expenditures throws much light on the problem.

The "story behind the story" of the present and growing railway freight crisis is revealed by a study made by the American Railway Car Institute, released in October, 1946. This study points out that of the total number of freight carrying cars owned by Class I Railroads in the U. S. (1,770,852 in number as of Jan. 1, 1946):

22.28%, or 394,626 were 21 to 25 years old.

13.76%, or 243,654 were 26 to 30 years old.

18.67%, or 330,536 were over 30 years old.

Nine hundred and seventy thousand freight cars, or nearly 55% now are more than 20 years old. Nearly one-third of a million are over 35 years old. This decline took place in the lean years of the depression and again during war years. A marked rise in the cost of keeping these over-age, obsolete cars running, exceeds \$200,000,000 a year, as compared with 1939. (Twenty years is maximum estimated usefulness of a car.)

Of the 39,460 passenger train cars owned by Class I Railroads as of Jan. 1, 1946:

18.02%, or 7,110 were 21 to 25 years old.

8.87%, or 3,502 were 26 to 30 years old.

38.17%, or 15,058 were over 30 years old.

Thus we find a similar trend for the age of passenger cars. As a result of this situation, a rise has taken place in "bad order" cars, a car shortage exists in all parts of the country and rising costs, together with declining revenues, have diminished the net income of the railroads toward the vanishing point.

W. J. Patterson, a member of the Interstate Commerce Commission, stated in a recent address:

"It is time now to commence to restore the efficiency of the plant. Perhaps 25% of the freight cars now in service should be retired without delay." That would be 450,000 cars.

In theory, the railroads should buy new equipment and rolling stock, improve their road beds, right of way, terminals, and terminal facilities during periods of depression when costs are lower and labor is available. Actually in practice few railroads are in a financial position during the depression phase of the cycle to make improvements. Retrenchment is the order of the day. Road beds deteriorate rapidly, rolling stock rusts as it stands idle, for shop-employees are reduced of necessity to a minimum, etc. Those railroads that bought new equipment and made major improvements during the prosperous phase of the cycle found themselves in a far superior position.

The railroads have paid dearly for their failure to eliminate obsolete cars and for not being in a financial position to make capital improvements in periods of good business.\* On the basis of this costly experience with obsolete equipment and rolling stock many, if not most, railroads

\*The railroads have not been entirely to blame for this since their rates have been subject to control of the Interstate Commerce Commission.

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## Should Obsolete Equipment Be Replaced Now?

(Continued from page 3235)

are today spending millions of dollars.

Evidences of expansion during the present period of prosperity are numerous. It is pointed out in "Business Week," Nov. 16, 1946, that in the January-September period of 1946, 42% of the almost \$4,800,000,000 of corporate capital flotations were "new capital" security offerings. Furthermore, commercial bank loans to business generally have soared to new all-time highs week after week in 1946.

The high rate of expenditures on new plant and equipment is a major factor in this development.

On page 22 of "Business Week" for November 9, 1946, there is a list of 98 industrial projects in excess of \$500,000 approved by CPA since March 23, 1946. These projects are located in all parts of the U. S. and a number of them vary between \$25,000,000 to \$50,000,000. "Most reports from business leaders emphasize that they are going ahead with their expansion plans just as fast as they can."

In spite of these tremendous outlays of capital investment "we have not as yet experienced a decline in such outlays," although the rate of gain has lessened a little in recent weeks. "Business Week" points out the important fact "that a plant delayed may never be built" (p. 10).

Among these projects is one for \$20,000,000 by General Electric, which is "convinced that the demand for electric power generating equipment is going to continue for some years."

General Motors expansion plans call for overall expenditures of \$590,000,000 to provide for expanded production. \$290,000,000 of this has been spent already.

Westinghouse is carrying out a \$132,000,000 postwar expansion plan.

The ceramic or tile industry is expecting new peaks this year and each year in the immediate future. Their volume of sales is now twice the highest sales ever recorded and four times the average annual sales for the years 1927-37. This industry expects to have 51,000 new workers on the installation end of the industry alone. "The entire industry is on its toes and eagerly preparing for volume sales."

The Monsanto Chemical Corp. and the Victor Chemical Corp.—both large producers of phosphates—are making large capital investments. The Victor Chemical Corp. is at present building an entire new plant in Florida. Costs are high now but the marginal efficiency of capital is also high now. Delay would be uneconomic.

Carter Oil Co. is building a complete new refinery (\$17,000,000) at Billings, Mont. This is a Standard Oil subsidiary. In the Southern California area, Southern California Gas Co. and Southern Counties Gas Co. are building a natural gas pipe line into Los Angeles. The Pacific Lighting Co. is making new additions.

The Richfield Oil Co. has a program under way that is said to amount to \$15,000,000.

The Cities of Burbank, Pasadena, and Glendale are making new additions to their steam plants.

Southern California Edison at Redondo Beach, The Bureau of Power & Light of Los Angeles at Wilmington, and the Imperial Irrigation District at Brawley are all installing steam plants.

The Union Oil Co. is building a refinery at Wilmington.

All of the utilities in this area are overtaxed and are striving to meet the present demand. The

marginal efficiency of such capital expenditures will be large regardless of any temporary recession in 1947.

Most manufacturers' costs are going up. This is notably true in the metal working industries.

Steel will cost more. Non-ferrous prices already are up; demand is such that there is no certainty that they will not go still higher.

Labor costs, which are "sticky," cannot be expected to come down even if we have a temporary recession sometime in 1947.

More than twice as much production machinery has been going into existing plants in the U.S. as into new ones. "American Machinist" reports new business for August and September, 1946, as in excess of \$49,000,000. Standard business indicators continue to make a good showing with steel and auto operations at a postwar high.

In the September 28, 1946, issue of "Business Week," it is pointed out that "industrial prices are up very little, relatively, the big gains being in farm products. Farm prices have the government support program under them. . . . Don't look for prices to fall nearly as far as they did in 1920-21, even if it develops that we are following a similar postwar pattern. . . . Students of the business cycle will tell you—six, eight or ten months from now—how easily we should have been able to read the road signs along the way. Business statistics are vastly more plentiful and more refined than they were in 1919 and 1920. Just about all of them point to a continuation of excellent business. . . .

Prices now come much closer to being on a "permanently higher level" than they did in 1919 and 1920. The strength of organized labor and the rigidity of wage scales take care of that. Wages won't go down much, short of a major depression."

This statement is of major importance in view of the fact that 30 to 50% of the proposed cost is labor (installation) cost of the new equipment.

The U. S. Department of Commerce has recently issued a study of income payments per capita for 1945, which show the sharpest, most staggering lift in living standards on record. Per capita income payments for the U. S. as a whole during 1945 averaged 113% higher than those of 1939. Gains were at least 100% in 36 of the 48 States. For individual States, California was third with a per capita average of \$1,480 compared with the national average of \$1,150 for 1945.

An analysis of these figures give us an insight into the economic present and future of our nation. Workers have become used to the highest standard of living that any country has ever enjoyed. Any deflection from that height will be fought "with revolutionary zeal." Workers today are taking financial security for granted.

Obviously, therefore, we cannot expect any important reduction in wages in the foreseeable future. Since costs of installation amount to from 30% to 50% of total costs of the new machinery under consideration, it is difficult to see how any postponement of purchase can be justified if based on the hope of lower costs within the next five to eight years.

### Conclusion

It is the author's understanding that the proposed new machinery is more efficient and will operate at less cost. Furthermore, it will enable the company to produce

and sell more to meet the present enlarged demand. With the high marginal efficiency of such capital investment, it should be possible to pay out the costs in approximately five years. If this purchase and installation is delayed until the depression phase of the business cycle, it would be impossible to pay out in so short a time. Meanwhile, maintenance costs will likely prove prohibitive if efforts are made to continue to operate with the present obsolete equipment.

It is the author's understanding that the proposed new equipment could have been purchased in March, 1946, at 10% to 15% less than now and that after Nov. 25, 1946, the costs will be an additional 8% to 10% higher due to increased costs of copper. According to the competitive concerns producing this equipment, the prices will go up even more in 1947. No reduction of prices can be anticipated within several years. Under these circumstances further delay will add to the costs when the new equipment is installed. Meanwhile, prohibitive costs of maintenance of obsolete and worn-out equipment, less production at higher costs, etc. are factors keeping the efficiency of the plant down. If the present machinery must be replaced within the next two or three years—and it seems to be generally conceded that this is inevitable if operations are to continue—then it should be done without delay to attain the high marginal efficiency of the new equipment during the next five to eight years of "prosperity."

It should also be borne in mind that the product must be classed as a luxury, the demand for which can be expected to fall in greater proportion during the depression phase of the business cycle. Hence, it would be quite possible that the installation of new equipment at that time would be inadvisable, inexpedient, and unlikely. The marginal efficiency of the investment would be low—perhaps zero—and the possibility of paying out in a reasonable time would be more difficult, if not impossible.

It seems difficult to justify waiting five years or more for a potential saving that it may not be possible to realize. An approval of this project eight months ago would have saved perhaps \$15,000. Even assuming that prices will not go higher—which is doubtful—it seems reasonably certain that they will not be lower for several years.

## N. Y. Group of Graduate Banking School Elects

Howard R. Mears, Jr., Assistant Manager of the 34th Street Branch of the Chase National Bank, of the class of 1941, was elected President of The Graduate School of Banking, New York Metropolitan Group, at the buffet supper meeting in New York Dec. 3. Charles C. Joyce, Treasurer of the East River Savings Bank, class of 1943, was elected Secretary-Treasurer. Three members of the alumni group were elected to the board of directors for terms of three years. They are: Clinton B. Axford, Editor of the "American Banker," class of 1943; Bryant S. Cookman, Assistant Trust Officer of the City Bank Farmers Trust Company, class of 1944; and Robert F. Marchant, Treasurer of the Bank for Savings, class of 1940. One hundred fifty members of the New York Metropolitan Group assembled for the meeting which was addressed by Dr. Harold Stonier, Director of the School. Other guests included Dr. W. Randolph Burgess, Vice-Chairman of Board of the National City Bank, of New York; Dr. William A. Irwin, Associate Director of the School; and William Powers, the Registrar.

## The Guaranteed Annual Wage

(Continued from page 3202)

row that this nation fought for. As the managers of that great force, our obligation is correspondingly great. It is not only our privilege, but our duty to look ahead, to try and see the needs and the wants of our people, then do our utmost to fulfill them. It will be a pretty poor tomorrow for all Americans if the politicians take over by default because the captains of industry regard this responsibility so lightly.

### Must have a National Labor Policy

Sure, we must have a national labor policy that will restore the equality of labor and management so that collective bargaining will have a chance to resolve disputes before they develop into ruinous strikes, civil insurrection or what have you, but legislation is only a part of the answer even with a two-way stretch of the imagination. There are basic causes underlying the unrest of our employees, and it is up to management to dig into those causes, recognize them, and resolve them in the public interest.

In my opinion, the principal reason for the strained relationship between labor and management today is the worker's unsatisfied craving for security. We know through opinion polls that he wants security above everything else. He not only wants a job, but he wants it to be a steady job. And, we know that he regards this kind of security far more highly than any synthetic security that the Government can offer him.

This wholly understandable desire of the American working man is reflected in the growing demand for the guaranteed annual wage.

I am warned that the use of the guaranteed annual wage in an NAM meeting hall causes a few people to turn purple with apoplexy, but all of you are going to hear more and more about it in the coming months, so you might as well hear a few things about it from me now.

The annual wage is in the air and in the minds of workers. It has been promoted extensively by the unions and the Government. All of us will admit it is a bad term, and hardly the answer to the worker's known craving for security, because we know that security cannot be guaranteed—at least for very long. All you have to do is to count the Utopian schemes that have tried it, and flopped. The idea that the Government can guarantee security is just as fallacious, because any such Government program is no better than the productive capacity of the economic system which supports it, and that economic system is business—your business and my business, all business.

But merely shrugging off the guaranteed annual wage as an impossibility is no answer to the problem. The worker needs something more than the unrevealed nobleness of management upon which to build his security.

Your Association recognizes this basic truth and is tackling the problem, not from the impractical basis of a guaranteed annual wage, but from the practical and realistic planning of stabilized employment so that steady pay and the worker's goal of security will be the natural consequences.

### A Program of Employment Regularization

Now I do not need to spend a lot of time telling you about the details of NAM's national program to stimulate management to get behind this forward-looking effort. As members of the Association, you have been kept fully informed of the progress of this

Some people, particularly our critics, find it hard to believe that NAM is really behind this progressive program. It is still harder to make them believe that the program is not something cooked up to counteract the pressure for the guaranteed annual wage. But the proof is available for all to see. The irregularity of employment in the 30's so disturbed your Association that a thorough study of the subject was made and the findings were published in a comprehensive booklet, "Employment Regularization," in 1940. Nothing more is needed to refute completely such irresponsible charges as made by Philip Murray when he said (and I am quoting from his speech):

"Industrial magnates . . . prefer a status wherein millions of unemployed would be available at ever-decreasing wage levels to be exploited for the benefit of these large corporate enterprises."

That is the picture of you being painted for the benefit of your employees. That is the basis for demands of the guaranteed annual wage, and again I say you might as well get used to that term . . . it's the old case of the wheel squeaking the loudest getting the grease. As careful as I have been to distinguish between the stabilization of employment and the guaranteed annual wage, I have been misquoted numerous times. I know your concern from the number and the tone of the letters I have received. They have been considerate and understanding, but they have truly mirrored the fear and uncertainty about the guaranteed annual wage prevalent in the minds of American businessmen today.

### Stabilization Not a Guaranteed Wage

So, I want to re-emphasize the fact that when I am talking about the stabilization of employment in industry, I am not talking about the guaranteed annual wage, and that the NAM's program to stimulate management to stabilize employment is not a move to promote the guaranteed annual wage. And, I also want to take this opportunity to warn you against being misled by the guarantee in the so-called guaranteed annual wage contracts.

In one of the CIO Steelworkers' guaranteed annual wage contracts, I find this condition (and I quote), "nothing herein shall impair the right of the employer to terminate employment of any employee because of change of business conditions or for cause."

In the contract of a large company which has gotten a lion's share of the guaranteed annual wage publicity, there is a clause which reads (I'm quoting now), "it is the intent of the company to maintain it, but the company must and does reserve the unqualified right, to be exercised at its sole discretion, to withdraw this guarantee at any time."

Here is another where the contract may be suspended "in event of fire, floods, wars, strikes or other circumstances beyond the control of the company."

Even in the Hormel plan, which comes closest to the unconditional guarantee, you will find that the guarantee is not necessarily for 40 hours a week, and that the balancing of long and short weeks up to the 2,080-hour annual limit of the Fair Labor Standards Act is basic to the operation of the plan. And even such well-established plans as this one, which began in 1931 and at first covered only a single department, can run into trouble because of unforeseen difficulties such as OPA's unrealistic ceiling prices on meat which pre-

vented cattle shipments to the slaughter houses last Summer.

So you see the guarantee is not yet all that it is feared to be, and in some cases means no more than the one in the Dickens tale about the "person who can't pay, gets another person who can't pay, to guarantee that he can pay."

But irrespective of the limitations of the "guarantee" in these contracts, the companies which signed them at least publicly expressed their good intentions. In addition to improving relations with their own employees, these companies have also won the solid backing of the American people, a majority of whom believe that management has failed to consider the problem seriously enough, and that steady work and steady pay are attainable. In fact, there is growing public sentiment in favor of legislation requiring such action, according to one recent opinion poll.

This jibes with what I've been saying since I started talking employment stabilization to businessmen eight months ago. While many companies lost sight of the problem due to its fadeaway during the war, its resurrection seems certain enough for all of us to do our utmost now to prepare for the time when it does arise again. We'll never have a better chance to prove ourselves and establish once and for all our concern for the national welfare than we have right now when consumer demand and purchasing power promise us the long steady runs we need to iron out the ups and downs of the production curve.

#### Sees Some Opposition

I am still somewhat amazed at the large segment of management which does not recognize this NAM Employment Stabilization Program as anything more than a philanthropic gesture of management to tide employees over slack periods. That is its most important social aspect, it is true, but if any of you here are similarly misguided, get the idea out of your head once and for all, that this is pure charity.

The achievement of steady employment is equally beneficial to the employees, the company itself and the community in which it operates. You do not have to take my word for this; it is the consensus of the clinics which NAM has been holding through the country in an effort to aid companies actively engaged in employment stabilization programs.

You all know that it takes steady runs—long steady runs—to realize real efficient costs and profits. Broken runs, changes in runs—up or down—reduce efficiency and raise costs accordingly. The idea that labor costs end when a plant is shut down or slows down is a fallacy that management must recognize. The loss of trained workers, the lost efficiency in production, the cost of training new workers, the wastage and spoilage of material caused by untrained employees—all must be figured into the real costs of slowing down a plant. Actual dollar savings in taxes where states have merit rating clauses in their unemployment compensation laws are only one of the many factors to be considered. This all adds up to lower cost per unit of production—the very keystone of successful manufacturing.

Even if you could discount all the benefits to the individual employee, the community, the national economy and the better relations between employer and employee, mere selfish interest should make every management redouble its efforts to stabilize employment. You should be the ones to force steady employment on your employees instead of waiting for them to make you do it.

I do not presume to stand up here and try to tell you from a speaker's rostrum how to stabilize the work schedules in your own

companies or your own industries, because that boils down to the solution of your individual problems. But, I do presume to tell you that a great many of those problems are not impossible ones. Some companies have found the answers. Others are making progress.

Whole industries are beginning to cooperate toward the end of providing steady employment. Much of the groundwork has been done for you. Successful methods as well as the pitfalls have been studied, analyzed and classified by your own Association and other such organizations as the American Management Association and the National Industrial Conference Board. NAM has compiled a complete bibliography on the subject, which is yours for the asking. I assure you that a study of the material available today will save you many a trip to the medicine chest for an aspirin tablet in the days ahead of us.

#### Denounces Indifference of Employers

You know that I am one to try and pick up a cheap headline by tossing brickbats, but I will have to admit that I've been somewhat disappointed by the indifference of some businessmen to NAM's Employment Stabilization Program. I've made two trips back and forth across the country since June talking employment stabilization, and everybody agreed with me that it would be a good thing except one old fellow who accused me of being a communist. But at the same time that they were agreeing in principle, I encountered such reluctant cases as these:

1. The management which was actually in the midst of a labor shortage, and could not see employment stabilization as a problem to worry about today.
2. The management with a chip on its shoulder because of present or past strike difficulties and the attitude that it was futile to try to promote steady employment when the union was promoting organized employment.
3. The management which was so sure of union opposition to job transfer and long and short work-weeks without overtime, that it was not felt worthwhile to try such a program.
4. The management of seasonal businesses which was almost totally unaware of the progress in employment stabilization and still considers as inevitable the traditional layoffs in slack seasons.

I don't doubt that some of you in this audience have thought of other reasons, but they had better be a lot more convincing than any of these I've encountered. If management is going to preserve its right to economic leadership in this country, it has got to become positive in the solution of such basic problems as helping the American people build the security that they crave so deeply. We cannot afford to be procrastinators, we cannot afford to carry a chip on our shoulders, we cannot afford to permit union interference with the welfare of all our employees, and we cannot be bound by the chains of blind tradition if we hope to provide the industrial leadership necessary to the rebirth of American ascendancy in the world of tomorrow.

#### Difficulties of Plan

No one knows any better than I the difficulties we face in achieving year-round employment throughout industry, and we may never overcome all of them, but that is no excuse for not trying. That is the challenge to management. With this industrial machine created by the ingenuity of free men and driven by competition and incentive, we have won the reputation for doing the

wholly impossible, doing the things that no men ever did before.

That is why I am so deeply confident that if the management of American industry tackles this problem with the same will and determination that you demonstrated in accomplishing the "miracle" of war production, we can some day level off the production curves to eliminate largely the curse of irregular, seasonal unemployment.

I ask each and every one of you, how better can you demonstrate to your employees your concern for their welfare than to let them know that you are doing everything in your power to give them the thing that they want most—the security of a year-around job?

And here, let me warn you, everything you do in organizing and promoting a program of employment stabilization in your own companies must be explained step-by-step to your employees. It may seem strange to you that it is necessary to sell your employees first, but there have been numerous instances where plans were inaugurated without previous consultation with employees and they met with so much suspicion and fear that they had to be abandoned.

Because it is human nature to take any benefit for granted after the newness of it has worn off, a continuous selling campaign must be maintained by management to assure the maximum effectiveness and cooperation on a job stabilization program until its benefits become firmly established in the minds of the workers. And this is just as true as that it affects all other employer-employee relations. It is not enough to follow out all the good industrial relations practices. Management must make its employees aware of them and what makes them possible. Time after time I've had employers come to cry on my shoulder about their labor troubles when their employee policies, wage scales, and working conditions had always been far more liberal than those of their competitors who never seemed to have any trouble.

And almost without exception the fault could be traced to the management's failure to sell its employees on their progressive policies. It allowed them to become an actual detriment instead of an asset to good labor relations. Because they were not informed otherwise, the employees had not only taken for granted their extra privileges and superior treatment, but they soon came to regard the boss as a "pushover," to be knocked off first.

There is a case here in the East which illustrates my point perfectly. It is the case of a newspaper publisher. First to sign a contract with the Guild, and credited with raising the newspaperman's lot in his city from one of the worst to one of the best, he finally had to say "no" to a demand and two of his papers were struck. He offered to sign a contract paralleling that of his competitor, which was stronger in resources, circulation and income, but that wasn't good enough for these fellows.

Because the union's power tactics called for hitting at the weakest opponent, they called a strike on the man who set the pattern for unionization of editorial workers, meanwhile allowing his much stronger competitor to continue operation. In other words, they thought this publisher had become a "pushover," simply because he had never thought it necessary to sell his people on their preferred status in the industry.

#### Get Co-Operation of Employees

Undoubtedly you have seen this tragedy of misunderstood motives re-enacted again and again in

your own cities and industries. The same sort of failure by management to tell its employees the full story of profits, what they result from, why they are necessary, and the untold blessings that they have brought to humanity, keep industry continually sizzling on the "unconsciousable profit" griddle. The only story that most of our employees get is from the union boss or in the labor newspapers, and they portray all industrial managers as profit-mad slave drivers. If management is misunderstood, if its profits are misunderstood, then we have only ourselves to blame for not speaking up as individuals to our own employees.

Is it any wonder that the voices from the left get the ears of our employees when we fail to give them the facts and figures about our businesses; when we fail to make them a part of the team; when we fail to give them the sense of security that they need to feel in the business? Management, to my mind, has been guilty of a most serious dereliction in allowing the mistaken belief to become prevalent that business as always against the good things of life; against security; against high wages and against full employment.

Top management cannot shrug this off, nor can the men who are responsible for good industrial and public relations in industry. The responsibility for improving the welfare of our employees, bettering their working conditions and living standards, making them understand and appreciate that they are the beneficiaries of this competitive enterprise system, is a joint one. Top management has got to motivate it, but the industrial and public relations men of American industry have got to carry it out.

It has become increasingly evident to me that only top management in individual businesses can spark plug a program of employment stabilization. Until the big boss is firmly behind such a program, the lesser executives can go only so far. The success of such a program demands the boldness and the imagination of a successful manager. It requires a sense of social responsibility and the willingness to accept necessary changes in old methods and old standards.

Industrial progress in this country has been built by men with foresight and the willingness to take a chance. They are in a minority, it is true, but that should not discourage us. Leaders are always in a minority.

There is no freedom we enjoy today—be it economic, social, political or religious—that we do not owe to the boldness, imagination and sacrifice of a minority somewhere in the pages of history.

The minority of management can write a new page in history by taking the leadership today in an all-out nationwide effort to help the working men and women of America attain their goal of job security with a sound, workable employment stabilization program.

I urge you, the leaders of American industry, to assume your full responsibility in this forward looking effort to provide steadier employment because:

First—it is the surest way to convince our employees and the public that business is the crusader and the provider of the good things of life—security, a better standard of living.

Second—it is the most important single thing we can do to combat the subversive influences which today are undermining the freedoms of America.

Third—it is the only reliable way to build lasting prosperity for all Americans.

Gentlemen, the high objectives

of this program are worthy of the support of all businessmen and business groups, all working men and their organizations and our elected representatives in government. It is a program in the public interest meriting the solid backing of all Americans who yearn for a secure and prosperous tomorrow.

Like all other worthy goals, continuous employment for our people requires the cooperation of all these groups—business, labor, government and the public. Only with that cooperation can management successfully provide jobs that the men and women of America can depend upon next week, next month, and next year.

We know the difficult proportions of the task ahead, and we know that it will take weeks and months and years to achieve, but I feel sure that I can count on you as a chosen few to go beyond the mere call of duty to give this worthy NAM program of Employment Stabilization the steam it needs to build a better tomorrow for all Americans.

#### New German Bank Laws

Laws drastically reorganizing the German banking system to limit branch banking and curtail the power of central banks have been adopted by the three laender (State) governments in the United States Zone of Germany, the American military government announced at Berlin on Dec. 9, according to Associated Press accounts from that city appearing in the New York "Journal of Commerce," which also had the following to say:

"This action to 'break up undue concentrations of economic power' was taken while the United States is conferring with the other occupying powers on banking reorganization for Germany as a whole.

"The new laws, effective Jan. 1, provide for a Central Bank in each of the laenders to take over functions previously performed by the German Central Reichsbank.

"Stocks of the new banks will initially be held by the State governments, but later will be sold on a prorated basis to the various banks operating within each State.

"Under the new laws, branch banks may operate only within the State where the head office is located and the new Central Banks will not have branches outside the particular State in which they are located.

"This will mean that the branches of the large German chains, which in practice have been separated from their head offices in other parts of Germany since the occupation, now will be completely set apart from these head offices.

"While the new Central Banks do not become the legal successors to the Reichsbank, they will, without prejudice to future settlement, take over assets of the Reichsbank branches within their territories and assume the liabilities of the Reichsbank to the extent possible, the AMG said."

#### Redeem Bonds of Cuba

Republic of Cuba, through Rinaldo Fernandez Rebull, Counsul General of Cuba, is notifying holders of its External Loan 30-Year Sinking Fund 5 1/2% Gold Bonds issued under Loan Contract dated Jan. 26, 1923, that \$1,200,000 principal amount of the bonds have been drawn by lot for redemption on Jan. 15, 1947, out of moneys in the sinking fund, at 100% of their par value and accrued interest to the redemption date. The bonds drawn for redemption will be paid at the office of the fiscal agents, J. P. Morgan & Co., Inc., on or after Jan. 15, 1947, after which date interest on the drawn bonds will cease. On Dec. 9, 1946, \$569,700 principal amount of these bonds previously drawn for redemption had not been presented for payment.

## The British Token Import Plan

(Continued from page 3207)  
den rakes, to hoes, to ladies' hats and liquor. The original list contained 47 items; 34 new items were added on Sept. 19, and 36 on Oct. 24.

The United Kingdom imports from the U. S. for a given item are limited to 20% of the value of the U. S. exporter's average annual value of exports from the United States to the United Kingdom during the years 1936, 1937 and 1938. For the year 1946 this is limited to two-thirds of 20% of the exporter's prewar trade with the United Kingdom during the "base years."

The 20% quota may at first sight seem small, particularly to manufacturers who operate on a limited scale. However, the present austerity conditions and the limited foreign exchange balance of the United Kingdom prevent the British Government from allowing larger imports at this time. The shipments allowed are, indeed, only token shipments. However the Office of International Trade is pressing for additional relaxations and greater commodity coverage under the plan.

This Token Import Plan with the United Kingdom is only part of the over-all effort of the Office of International Trade to reestablish

lish as quickly as possible normal commercial trade in all areas.

### Operation of the Token Import Plan

To qualify under the British Token Import Plan, manufacturers must establish the fact that they were exporters to the United Kingdom during the three-year period 1936, 1937 and 1938. The British Government has stated that the U. S. Government must certify each manufacturer's statement as to his prewar export trade with the United Kingdom and also calculate the quota to which each manufacturer is entitled. Each manufacturer desiring to qualify submits to the Office of International Trade, Department of Commerce, three copies of Form IT-558, "Request for Certification of Prewar Exports to the United Kingdom," which is shown below.

### Who Can Apply for Certification

Any manufacturer who exported items on the approved list to the United Kingdom during the base period, 1936, 1937 and 1938, may apply for certification under the Plan. If a manufacturer wishes, he may authorize his agent or any other individual to apply for his quota. Such authorization must be in the form of a letter

from the manufacturer, addressed to the Office of International Trade, stating that the manufacturer has given permission to a particular individual to apply for quota to which the manufacturer is entitled.

### Status of Individuals Other Than Manufacturers

Any individual who is not a manufacturer, but who, nevertheless, believes that he is eligible for participation under the Plan through other means, should request a determination of eligibility from the Office of International Trade. Such requests should fully identify applicant's export activities during the years 1936, 1937 and 1938 to the United Kingdom and should explain in detail his reasons for requesting participation under the plan.

The Plan is basically for U. S. manufacturers who sold to British accounts in the United Kingdom. However, individuals or firms who had established markets in the United Kingdom, but who are not manufacturers, may be eligible if it can be demonstrated clearly that such markets were developed by such individuals or firms and not by a manufacturer. Individuals acting as commission agents or forwarding agents cannot be certified under this plan.

FORM IT-558 (7-8-46)		UNITED STATES OF AMERICA DEPARTMENT OF COMMERCE OFFICE OF INTERNATIONAL TRADE REQUIREMENTS AND SUPPLY BRANCH		FORM APPROVED BUDGET BUREAU NO. 41-R841	
REQUEST FOR CERTIFICATION OF PRE-WAR EXPORTS TO THE UNITED KINGDOM (FOR COMMODITIES ON APPROVED LIST)				IT NO. (Scrip number when certified)	
1. MANUFACTURER (OR AUTHORIZED AGENT) NAME ADDRESS		2. DATE OF APPLICATION		3. APPLICANT'S REFERENCE NO.	
4. COMMODITY DESCRIPTION		5. COMMODITY GROUP NO.			
6. ANNUAL PRE-WAR EXPORTS OF DESCRIBED COMMODITY TO THE UNITED KINGDOM					
YEAR	QUANTITY (No. of units)		VALUE (In dollars)		
1936					
1937					
1938					
AVERAGE VALUE.....					
20% OF AVERAGE.....					
7. INDICATE THE DENOMINATIONS OF TOKEN EXPORT SCRIP DESIRED		8. FOR OFFICIAL USE ONLY			
QUANTITY	VALUE	QUANTITY	VALUE	TOKEN EXPORT SCRIP ISSUED IN THE AMOUNT OF \$	
	20,000		500		
	10,000		100		
	5,000		50		
	1,000		25		
NOT VALID WITHOUT OFFICIAL CERTIFICATION					
I CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.					
15014		DATE		SIGNATURE	

unless they are authorized by a manufacturer who can qualify under the Plan. Such authorization must be made by letter to the Office of International Trade.

To illustrate, if a U. S. dress manufacturer sold dresses to a customer in London, only the U. S. manufacturer is entitled to the exports as a basis for the establishment of a quota under the Token Import Plan. However, if the U. S. manufacturer made domestic sales to a New York firm which sold dresses to his select clientele in London, the New York firm is entitled to a quota based on such sales, as the British customers belong to the New York firm. In this instance the manufacturer did not make an export sale. The export sale was made by the New York firm.

It is impossible for individuals or firms to be certified under the Token Plan unless they can qualify as manufacturers, a manufacturer's authorized agent or exporters who operate as described above. Any other individual or firm must present a letter of authorization from a manufacturer to the Office of International Trade before consideration can be given.

If the New York firm in the previous illustration had acted only as a commission agent, he could not apply for certification, because the established market belongs to the manufacturer and only the manufacturer is entitled to the market under the Token Plan. Likewise, forwarding agents are neither manufacturers nor principals. Forwarding agents, like commission agents, can receive consideration only upon presentation of letters from manufacturers which specifically give authorization to the forwarding agent or commission agent to act as the agent of the manufacturer.

Taking into consideration another theoretical illustration, a U. S. resident buyer representing several English merchants buys dresses indiscriminately from any manufacturer who will sell to him. The account is carried with the manufacturer in the name of the U. S. buyer. In addition the U. S. buyer, when placing orders, requests the manufacturer to ship the dresses to a forwarding agency. The forwarding agency, upon orders from the buyer, receives the dresses from the manufacturer and ships the dresses to the purchaser in the United Kingdom. In this case the U. S. buyer is eligible for the quota and not the manufacturer or the forwarding agent, as the accounts in the United Kingdom belong to the U. S. buyer and not the manufacturer or forwarding agent.

### Certification Form

Form IT-558, "Request for Certification of Prewar Exports to the United Kingdom," requests the applicant's name, commodity for which certification is requested, and annual prewar exports for 1936, 1937 and 1938 of the desired commodity to the United Kingdom. In submitting the form, care must be taken to include only one eligible commodity on each form. Administrative operational details prohibit the handling of more than one commodity per form.

Upon receipt of Form IT-558 in OIT the applicant is verified as to eligibility and the average value of exports for the three years, 1936, 1937 and 1938 is calculated. Two-thirds of the resultant figure is the value of the commodity which can be imported into the United Kingdom for 1946.

If the applicant's request is approved, OIT will certify the applicant as being eligible for participation in the Token Plan and will return one copy of Form IT-558 to the applicant together with scrip equal to the amount of the 1946 quota.

### Token Export Scrip

Scrip is issued under the British Token Import Plan merely to

lessen the flow of paper between the U. S. manufacturers and the Office of International Trade.

Since numerous shipments are usually made by individual exporters, scrip is issued in convenient denominations so that the appropriate value of scrip can be forwarded to the British importer at the convenience of the U. S. exporter. Scrip is issued in twenty-five, fifty, one hundred, five hundred, one thousand and twenty thousand dollar denominations. Each denomination is of a different color. For example, the twenty-five dollar scrip is yellow, the fifty dollar deep pink, etc.

Value of the scrip forwarded to the British importer need be only to the nearest twenty-five dollars. To illustrate, an order for \$2,561 would require scrip equal in value to \$2,550. However, if the order was for \$2,569, then scrip equal to \$2,575 would be required. The applicant should indicate in section 7 Form IT-558 the denomination of scrip desired. Sample scrip is shown below.

Scrip issued is identified by a number in the upper right hand corner which is inserted when the Form IT-558 is certified and corresponds with the Form IT-558 case number assigned by OIT. The first part of the number corresponds to the commodity group number assigned to the item at the time it is added to the approved list of items subject to the British Token Import Plan. The second part of the number is a numerical case number. For example, the number 17-601 in the upper right hand corner of the scrip would indicate that the scrip was issued to cover the importation into the United Kingdom of lawnmowers for the British Token Import Plan. The last part of the number, 601, is merely a numerical case number.

The scrip is non-transferable and non-negotiable. Scrip issued to a given manufacturer cannot be transferred to a manufacturer of another product, nor can it be used by the holder for a product other than the one specifically listed on the "Request for Certification", Form IT-558.

When a certified U. S. manufacturer receives an order from a United Kingdom importer he forwards to the importer sufficient scrip to cover the order. The British importer presents the scrip to the British Board of Trade, together with his request for an import license.

One copy of each Form IT-558 certified by the Office of International Trade is airmailed to the British Board of Trade in London. Thus, when scrip, together with a request for an import license, is presented in London, the information contained on the import license request must correspond with the information reported on Form IT-558.

### Validity Period of Scrip

Scrip issued for 1946 under the Token Import Plan will be valid and accepted by the British Board of Trade through Feb. 28, 1947. Scrip for 1947 will be issued in January and will be valid from Jan. 1, 1947 for the balance of the year.

### How to Request Additions to Eligible List

Manufacturers who exported products to the United Kingdom during the base period, other than those on the approved list, may request the inclusion of their products in the British Token Import Plan by writing to the Commodities Branch, Office of International Trade, Department of Commerce, Washington 25, D. C. Such requests should be prepared around the following outline:

1. Commodity for which consideration is requested.
2. Nature of business (indicate)
  - a. Manufacturer
  - b. Export Department
  - c. Forwarding Agent
  - d. Export Merchant

- e. Trade Association  
f. Commission Merchant  
g. Other
3. Annual prewar exports of described commodity to the U. K.  
a. Applicant's exports to the U.K. during the base years 1936, 1937 and 1938.  
b. Total U. S. Exports to the U.K. during the base years 1936, 1937 and 1938, if known.
4. Distributive organization in U.K. (indicate)  
a. Private customers  
b. U.K. Import Merchants  
c. Home Office in U.K.  
d. U.K. Subsidiary Company  
e. Other
5. Importance of Applicant's Trade with U.K.  
a. Describe facts surrounding original efforts to introduce product in U.K.  
b. Reliance of U.K. on U. S. Supply.

- c. Importance of the British market to your total export trade.

A form incorporating the above points is being prepared to facilitate the filing of requests for additions to the list of commodities subject to the British Token Import Plan.

The effectiveness of presentation will be increased if producers of similar articles make a joint request through their trade associations. All requests for additions to the approved list will be forwarded by the Office of International Trade to the British Board of Trade. All additions will be announced through the press and through the Office of International Trade's Current Export Bulletins.

#### Status of New Products

Since the British Token Import Plan has as its primary objectives

the reopening of prewar established trade channels, products which have been placed on the market subsequent to the base period, 1936, through 1938, cannot be considered under the plan.

#### Future Relaxation in Great Britain Import Controls

It is not possible to predict the extent to which additional relaxations will be made by the British Government in the U.K. import control restrictions, nor has it been indicated when further relaxations may be expected. However, the fact that the Token Plan originally covered only 47 items and now is expanded to cover 117 items is an indication of the willingness of the British to relax their controls further. The Office of International Trade will continue its efforts to press for additional relaxations as rapidly as possible.

in the task I have ventured to set you today.

#### Direction of Exports Important

So the second point I want to emphasize is that the direction of our export trade has now become a matter of real importance.

This raises a third point. Hitherto we have been accustomed in the light of pre-war experience and particularly of our experience before the first war, to consider exports as the overspill from the home market.

One constantly hears the proposition that exports require a basic home market upon which they can be founded.

We must ask ourselves in the light of the altered circumstances of today—the fact that we are a debtor and not a creditor nation—whether that proposition is still a really sound one. There is today, as I have explained, a double balance of payments problem, and if we can find in any suitable market abroad a demand for goods, which is likely to endure and is of a nature different to those we require or can afford for the home market, may it not be sound policy for us to make such goods primarily for the export market with an overspill into the home market rather than the other way round.

If those goods are luxury goods, which are the most profitable to us from the export point of view, it may well be that we cannot and do not want to afford them in quantity in the home market, but is that any reason why we should deprive ourselves of the possibility of creating a useful export market, if others are prepared to buy such luxuries.

We must therefore examine foreign markets most carefully to ascertain not merely whether they can take the overspill from our home market but whether we cannot manufacture new lines exclusively for export without attempting to float them or support them on a home market. And this applies especially, I think, to those markets where we can get dollars for our goods.

Exports in the sense in which we ought to regard them, that is as the purchasing medium for imports, are just as much part of our home standard of living as are the goods we produce and sell in the home market. The fruit in the shops, the timber in the houses or the petrol for our cars are purchased by exports, or should be, and indeed must be as soon, at the very latest, as our dollar loans are exhausted, and preferably much sooner than that.

#### Classes of Goods Exported

We should make people understand that exports are not something taken away from the home consumer but rather a means of obtaining for him some of his most essential needs. That is, of course, provided we can obtain imports in exchange for them. If we fail for the reasons I have stated to get a quick return in the form of imports, then it means that though in the future the home consumer may do better, at the present he will suffer. That only emphasizes once again the importance of the direction of our exports.

But nevertheless there must, of course, be some relationship between the volume of exports and of goods for the home market, particularly in those consumer commodities of which there is an acute shortage. This means that we not only have to regard the volume and direction of exports but also the actual classes of goods exported. And here we come across a curious contradiction. Many industries urge upon us the need for them to export more and yet at the same time they press us for better supplies of consumer goods for their own workers, in order to encourage production. This emphasizes the need to pay attention to the actual type of goods we export.

There is a constant tug-of-war

between the national necessity of attaining a balance of payments overseas and the equally urgent need to improve supplies for our people in the home market.

One thing is quite clear, that the sum total of these two demands exceeds our capacity to produce, both from the point of view of labor and materials.

It is for the government therefore, as the only body capable of taking a broad overall view, to try and hold a wise balance between these two opposing pulls. Neither side can be allowed to get away with it! We have therefore sought to deal with the matter in this way.

We have tried to increase the flow of goods and share the results of the increase between exports and home markets not in individual types of goods but overall.

In some of the most crucial needs of our people such, for instance, as clothing, the bias must be strongly in favor of the home consumer. In other cases such, for instance, as decorated pottery ware, which is pleasant but not essential, the bias has been in favor of exports. This has given us a balance not commodity but overall, each party getting the increase in the class of goods most useful.

#### Forced Direction of Exports

But there is another factor that comes in here and that is the forced direction of certain of these exports. Just as we must look after the vital needs of our own people so there are certain of our customary markets—particularly Colonial and Dominion—which look to us as the suppliers of classes of goods they do not themselves manufacture. In these cases we are bound to give them a minimum of supplies, and this means that there is sometimes very little left for the free export market.

There is a further aspect of this direction of exports which also plays a considerable part. You are all aware of the acute shortages of foodstuffs in the world and one of the difficulties as regards these is to persuade the growers to part with them when there is little or nothing they can buy with the money they get for them, however, high that price may be.

In consequence we have to offer inducements in order to try and extract the food needed either by ourselves or by those areas for whom we are responsible. An example of that is the rice crop of Siam and Burma. This again means a direction of exports—particularly of scarce consumer goods like cotton cloth—which have to be devoted to particular markets again decreasing the amount available for free export.

All these conflicting consumer claims, each one of them urgent, have to take precedence to the normal building up of our export trade even in our old traditional markets, and that explains why it is that our exporters often feel themselves frustrated when they see golden opportunities of which they cannot take advantage because the goods are not there—having been directed to some more essential market.

We have tried to the best of our ability to maintain at least a trickle of exports to our customary markets in particular, to preserve our goodwill, but that, of course, is not a very satisfactory public for those who are anxious to build up and expand their overseas trade. But looked at from a national point of view there is no escape from it.

#### Raw Materials Shortages

I now come to what is one of our major headaches today and that is the raw material shortage. It is affecting both our capacity to produce for the home market, and for export. The latter is the

(Continued on page 3240)

FORM IT-559  
(7-8-46)

UNITED STATES OF AMERICA  
DEPARTMENT OF COMMERCE  
OFFICE OF INTERNATIONAL TRADE  
REQUIREMENTS AND SUPPLY BRANCH

IT Scrip No.

Value:- \$25.00

The holder of this scrip is entitled to request an import permit from the United Kingdom for token shipments of the commodity for which this scrip is issued for the value of Twenty-Five and no/100 Dollars during the year, 1946.

John C. Borton, Director  
Requirements and Supply Branch

15015

FORM IT-559  
(7-8-46)

UNITED STATES OF AMERICA  
DEPARTMENT OF COMMERCE  
OFFICE OF INTERNATIONAL TRADE  
REQUIREMENTS AND SUPPLY BRANCH

IT Scrip No.

Value:- \$500.00

The holder of this scrip is entitled to request an import permit from the United Kingdom for token shipments of the commodity for which this scrip is issued for the value of Five Hundred and no/100 Dollars during the year, 1946.

John C. Borton, Director  
Requirements and Supply Branch

15015

## Essentials of British Export Policy

(Continued from page 3209)  
kinds of things we need to import will not necessarily be the same either.

But that is only half the story. When we stipulate an overall increase of 75% in exports, that does not define what we shall get in return for those exports at any particular time. Unfortunately the war has completely upset the world markets. Things we used to get from, let me say, Europe are not now obtainable there and have to be got instead from America. In addition to this is another type of disturbance due to the war, that of the exchanges. Many foreign currencies are not now exchangeable for dollars at all, so that their receipt does not help us with dollar and hard currency purchases. This means that we must try to get for our exports the type of foreign exchange that we need to obtain immediate imports.

#### U. S. and Canadian Loans And Imports

At the moment we are living to a large extent upon the loans from the U. S. A. and Canada, because 50% of our imports come from North and South America, whereas only 14% of our exports go there. We are therefore using the rest of our exports for one of three things. Either piling up an excess of immediately unusable foreign currencies—soft currencies—which we cannot use be-

cause we cannot buy with them the things we need, or paying off some portion of the sterling credits accumulated during the war, or else using the foreign exchange to buy articles from other sources which we need immediately. Unfortunately, as I have said, the lack of availability of our requirements in non-American markets is such that we are obliged to let a certain volume of our exports satisfy the first two alternatives, neither of which bring us in the immediate imports that we need. These foreign exchanges which we are accumulating are not at present exchangeable for hard currencies—they are soft currencies.

We are, therefore, owing to the forced direction of trade, forced by war devastation, rapidly spending our dollars from the loans, and when those are spent there will be no more available except what we can earn.

It is therefore of great importance now that we should pay attention not only to the volume of exports but also to the direction of both exports and imports. We must try and get nearer to a balance not only of our total trade but our hard currency trade as well, and unless we succeed in doing that in the next year or two we shall find ourselves in the position of having to take some drastic action in order to carry on.

I do not wish to be misunder-

stood in giving this general guidance. It is not the intention of the government to force exports into different markets by an extension of export licensing or other controls. But I believe there is room for a conscious and deliberate effort on the part of manufacturers and exporters to take stock of the possibilities open to voluntary action. I do not ask them to neglect the obvious needs imposed by the type of business they do; nor do I suggest that they should forget old friends—least of all those in the Commonwealth and Empire—or that they should not cultivate new friends, wherever they may be, who show promise of becoming old friends. I do ask the Federation (and others represented here) to set on foot enquiries and to stimulate analysis which will lead exporters to exercise the wisest selection between possible markets in the light of our great need for certain currencies. I think you will reach the conclusion that to increase our exports to the Western Hemisphere is an objective of great importance. It may mean a little more work on your part to expand those exports, but I can assure you that it will save you a big headache later on. I need not say that my Department is always at your service—individually or collectively—where it can help with advice or information

to stand in giving this general guidance. It is not the intention of the government to force exports into different markets by an extension of export licensing or other controls. But I believe there is room for a conscious and deliberate effort on the part of manufacturers and exporters to take stock of the possibilities open to voluntary action. I do not ask them to neglect the obvious needs imposed by the type of business they do; nor do I suggest that they should forget old friends—least of all those in the Commonwealth and Empire—or that they should not cultivate new friends, wherever they may be, who show promise of becoming old friends. I do ask the Federation (and others represented here) to set on foot enquiries and to stimulate analysis which will lead exporters to exercise the wisest selection between possible markets in the light of our great need for certain currencies. I think you will reach the conclusion that to increase our exports to the Western Hemisphere is an objective of great importance. It may mean a little more work on your part to expand those exports, but I can assure you that it will save you a big headache later on. I need not say that my Department is always at your service—individually or collectively—where it can help with advice or information

## Essentials of British Export Policy

(Continued from page 3239)

more affected, however, since we must retain sufficient raw materials to satisfy our own urgent needs before we can allow it to go into exports. It is more likely that the expansion of our exports will suffer seriously from this shortage over the next few months.

The steel, timber and vegetables oils position are probably the three most difficult. Timber, not so much for direct exports as for packing and similar ancillary services. All three of these export demands conflict with most urgent home requirements, and it is probable that we may have to cut still further the allowances for export in these goods. Steel has already been cut severely so as not to hold up the house and factory building programme and to allow sufficient for our home demands for machinery of all kinds, including that for the mines, for agriculture and transport. There is no immediate prospect of our being able to make good the deficits from imports, though we would gladly do so if it were possible, nor is there any short term prospect of any greatly increased home supply. We have therefore to accept the position that we cannot produce enough steel to satisfy our very heavy requirements without some imports which we cannot at present get.

We have examined with the utmost care the allocation of steel for each end use, and done our best to cut out inessentials and to preserve the supplies for the most essential of our manufacturers, including some export of machinery, cars and so on.

As regards timber, we are, of course, almost wholly dependent upon supplies from overseas—our own woods and forests have been far too heavily cut during the last 6 years, and there is comparatively little left unless we are to destroy our woodlands altogether. But all the world wants extraordinary quantities of timber for repairing the results of the last 6 years' devastation. We are getting what we can, but some of our main sources for softwood like Russia and Finland are using nearly all their supplies for rehabilitating their own countries or their neighbors. The same may be said of hardwood, of which we obtained large quantities from America before the war, but today it is almost impossible to get any. We are getting actually about one-tenth of our pre-war supplies from that source.

You are probably all aware of the linseed oil position and its repercussions on many manufacturers such as paint, linoleum and so forth.

These are matters outside our own control, and it is fair to say that we are getting a good share of the available world surplus, but that unfortunately, is far too small to satisfy our needs.

I hope that all of you have been able to study the series of articles on raw material supplies which are appearing in the Board of Trade "Journal," as we are most anxious that industrialists should be as fully informed as possible not only of the present facts of the situation but of the prospects as well so that they may plan their output accordingly.

### Conflict of Home and Export Markets

Hardly a day passes at the Board of Trade without some representation to us that the export of this or that product urgently needed at home should be stopped or severely restricted, and in each case there are strong arguments no doubt for maintaining the products in the home market. But if we were to give way to these demands we should rapidly find ourselves with a diminishing volume of exports and a more and more unbalanced trade.

We just must maintain and if possible—if we can get the raw materials—increase our exports or we shall become a real cropper in a year or two.

It isn't necessary for me to add, I am sure, that the only way to get more both for exports and the home market is to increase our production wherever the raw material position allows it—as, for instance, in the case of cotton and woolen goods.

I have tried to explain to you the basis of our national plan for exports. For its implementation we must depend upon the co-operation of industry. We are in the light of the now more stable labor situation working out targets for each industry which we want your co-operation in following out.

We must always remember that our export market is not static but ever-changing and as a result of the war it has changed very greatly.

Quite new lines of production like penicillin, radar, gasturbine engines, to take 3 instances, have come to the fore as really valuable export commodities, and we must encourage these as much as our traditional exports. Others like coal, for instance, have almost entirely disappeared and their place must be taken by others if we are to attain our 175% target.

Wherever these new sources of exports show themselves we want to give them all the encouragement we can, and if we can have early advice of them we can, I think, help in building up an export trade in them.

There is one point that I would like to mention particularly with regard to imports. I have dealt with the raw material position but there are other manufactured goods in short supply which form part of exported products which it is possible in certain cases to import into this country. If in any such cases any exporter thinks that he can obtain such goods from abroad he should let us know and we will do our best to help him in the matter of foreign exchange—however scarce it may be, for we do not wish foreign exchange or other difficulties to stand in the way of such desirable imports.

I don't think manufacturers are slow in coming forward with such requests, but I want to assure them that we shall welcome any such applications for import licenses and do our utmost to facilitate the importation, wherever it is going to expedite or assist our export program.

There are two general points which I would like to stress in relation to our policy.

The first is that we can only attain the volume of export of manufactured goods that we must have if there is a general expansion of world trade compared to pre-war. Pre-war we had 20% of the world trade in manufactured goods, to increase that by 75% without an increase in the total of world trade would mean our having 35% of the world trade in manufactured goods, and that is a figure obviously impossible of attainment. If, therefore, our 20% is to be increased so greatly it can only be by an increase in the total of world trade. If that goes up by 75% then if we can retain 20% of it we can get our 75% increase, and that is why we are so anxious that all countries should follow an expansionist policy, and why we hope for a good result from the ITO discussions.

I may say that the present series of talks have proceeded most hopefully, and if they continue in the spirit that has so far been shown there is real hope for a resulting international policy which will encourage a large world expansion of trade to our and other countries' great benefit.

The other point I want to stress is the need to prepare at once for a sharp competition in the export field. The easy seller's market will not last long—not nearly as long as we and others would like—and we shall then have to retain our place in our present markets and win new markets by the price, quality and design of our goods.

That means economy and production efficiency will be all important as, too, will be Design—the importance of which has been thoroughly demonstrated by the remarkable success of the Britain Can Make It Exhibition.

We have before us a very tough job which we cannot achieve by any slipshod or take it or leave it methods. We have to go out to sell our goods and to make our goods attractive to the overseas buyers, and that wants a lot of hard thought, imagination and hard work, too.

For many months and perhaps even years to come we shall be beset by all sorts of difficulties in the field of raw materials and in the shortage of labor in particular industries—as, for instance, the textile industries. There is no easy cure for these difficulties, they are unpleasant facts which we must try to put round by our ingenuity and hard work—there is no other way.

We in the Board of Trade want to help in every way that we can but we must keep always before us the needs of the consumer and the overall national policy of the balance of payments which is the cardinal necessity of any future prosperity for our people. I am sure that by co-operation between the government and the two sides of industry we shall be able to succeed provided that throughout we study each other's point of view and co-operate with a determination that the national interest shall prevail.

### Dominion Bank Warns Against Labor Strife

The entire Anglo-Saxon world must hurl back the industrial warfare now threatening both government and law or "civilization is lost," C. H. Carlisle, President of the Dominion Bank, warned on Dec. 11 at the bank's annual meeting at Toronto. Pointing out that in the six-month period ended Oct. 31, Canada lost \$29,000,000 in wages during strikes that involved 119,000 workers, Mr. Carlisle asserted that industrial disputes should be brought before the courts to avoid such unnecessary losses in wages, production and conveniences to the people. In his remarks he said:

"Today we have over the Anglo-Saxon world industrial warfare which threatens the supremacy of both government and law. Such a threat must be hurled back and kept back or civilization is lost. Nothing ever was plainer than that today the strike weapon is being overworked."

Mr. Carlisle warned that Canada cannot escape the influence of world conditions of a confused, unstable and dangerous nature. He added:

"This has been made more than apparent in the recent exposure of an espionage plot, the purpose of which was to give to a foreign nation secret and vital information. The Commissioners made it clear that Communism is the seed bed of the conspiracy. The stealthy, poisonous plague of Communism has fallen on many Canadian localities," Mr. Carlisle said, "and many attributed its spread to educational institutions."

Suggesting that there must be a limit to academic freedom, he said "no nation can suffer with impunity the propagation of doctrines which sap the very foundations of its existence."

## Economic Outlook for 1947

(Continued from first page)

the potential inflation of 1934-45 into the effective price inflation of 1946-49.

(2) The second error, the correction of which leads to a truer forecast, concerns the true nature of inflation. Not only do many economists define inflation as a rise in prices, but some deny that it has any meaning.

The truth, it seems to me, is that we have so increased the quantity of the currency, and decreased the security for the currency unit, that we have reduced the demand for currency. Thus we have created a strong tendency toward a reduced purchasing power of the dollar. This is the inflation potential. It is primary inflation.

The essential point is that it is something done to money. This potential inflation has been allowed to become effective in several ways, so that effective inflation, or price inflation, is well along. First, it came in government bonds—where there has been a veritable speculation spree. Then it came in farm prices, both commodities and land, and in money wages. (The price of labor has been one of the characteristic inflation peaks in this inflationary period.)

Thus the vast potential inflation is likely to have its way in 1947, with prices higher at the end than in the early part of the year. Certainly there will never be a return to the price levels or the purchasing power of the dollar as it was in the 1933-39 period.

A point which I would stress is that under our present monetary setup, reserves constitute no limit to our currency issues. There is nothing definite or objective to prevent what is popularly known as the wage-price spiral. Under these circumstances the maladjustment in which one price is low and the other high can be corrected readily by raising the low price. That, I think, will be the general tendency.

In 1919, the inflated condition was largely mere "credit inflation"—bank deposits based on commercial loans. Such inflation is easily and quickly liquidated. The credit is elastic, and the inflation is temporary and cyclical. Now, however, we have a currency based on a monetization of the public debt, the like of which has not been seen since the days of John Law and Mirabeau. The deposit currency is inelastic and enduring. The only way out seems to be to use it!

### Inflation Phases

There are two phases of the current inflation: First we went off gold, and inflated our note and deposit liabilities. Then we increased loans, partly guaranteed by the government, the loans being based on inflated prices, or depreciated dollars.

The devaluation and depreciation of the standard dollar will probably never be corrected. The expansion of loans, however, will in due course be corrected. This will be at some such time as 1949-50, or whenever the usual excessive ratios of loans to reserves and to deposits develop.

But no serious credit strain exists now. Probably it will not until the backward prices of various sorts have been inflated to the level of the others. Farm prices are badly inflated; semi-manufactures will now catch up. Government bonds are badly inflated; private equities will catch up in due course. The price of labor is badly inflated; interest and rents will rise to equalize the sharing of the national income.

In general a period lies ahead in which government loans will decline and private loans expand. This is already seen in the declining trend of bank investments and offset by rising commercial, industrial, and agricultural loans.

(3) The third basic error to be

cleared away is the notion that the national income is not directly related to production, but is "created" by government borrowing. This leads to the closed-system economic theory, upon which is based most of the erroneous forecasting of recent years.

One manifestation is the view that deposits (and notes) based on government bonds are as good as or better than deposits based on business loans. Some "feel" that the expansion of bank loans is a menace. They say it will cause credit strain on account of excess inventories, that it means over-production because of alleged excess capacity, and that, now that government spending will be reduced and wages be limited to the productivity of labor, there will be a lack of consumer purchasing power.

None of these pessimistic observations appears to me to be well founded. The expansion of commercial loans, accompanying the return to a system of commercial banking, means that the use of the nation's credit will be directed to productive purposes. Characteristic of the boom in government between 1933 and 1943, was the "creation" of credit currency by bookkeeping methods, without much regard as to the productive use thereof. Now, however, the borrower has to assure a lender that he will have the means to repay the loan. Bank demand deposits will be increasingly "derivative," thus being more elastic and more closely related to business requirements.

As loans increase, therefore, the investments of the banks, which largely consisted of government paper, will decline, thus leaving the total earning assets well sustained, if not actually increased. At the same time, deposits will hold up, and the turnover of deposits will actually increase—probably a great deal.

It should be noted that the "investments" of the Member Banks have decreased, roughly in proportion to the increase in loans. This tends to keep the total of loans and investments in line with the total of deposits, thus maintaining the cash position. Incidentally, too, net reserves of the Member Banks have increased—their reserve deposits minus their borrowings.

Thus I see no reason to expect any early credit strain, from the standpoint of either the cash position of the banks or their reserves.

Moreover, while interest rates are firming up, it remains true that they are low, both absolutely and relatively to security yields. There is not the slightest indication of credit strain in the money rate structure.

Again, one sees the renewed emphasis of production. Both the need and the importance of higher interest rates, are the encouragement of savings and investment for productive purposes. Banks are advocating that the government debt held by commercial banks should be refunded into long-term bonds bearing a 2 1/4% coupon. At the same time, individual savers and investors would be able to expect something like 4% on their money, because the money would be so used as to earn that rate—in production. It is no strain for private money to earn 4%.

Money rates do not seem likely to go high enough to indicate a major recession for a long while. With commercial loans expanding and consumer credit rising, indicating that the period of war saving is over, business is replacing government as the great borrower. This, however, does not suggest to my mind anything in the nature of deflation. We are merely liquidating the government as an enterpriser.

#### End of Planning Boom

What is the significance of this twofold movement in the use of bank credit? I think that it points

to the most significant of all trends, namely, the end of the boom in government control or social planning, which will mark the beginning of a boom in business. Beginning with the New Deal, and increased by the war, we entered an economy based on government debt, and sustained by government spending. The credit of the sovereign was used for money, and social planning largely took the place of enterprise. This period is now passing.

One great trouble with the thinking of the past decade has been that the government has been regarded as the source of national income. Like John Law, John Keynes (and, at least in his earlier thought, M. S. Eccles) thought of income as the credit of the sovereign. The government was to use its fiat to borrow the individual out of debt. In 1929-33 the government undertook to take over the vast private debts that had been built up prior to 1929. In various ways, it prevented complete liquidation. The New Deal was then followed by the war. The result was the biggest, if not the best, public debt that the world has ever seen. Now it is the government that is failing; not business. It is the government's credit that is strained. Even the 1946 break in the stock market was probably in the last analysis the result of strain in the government bond market.

#### The 1947 Revival of Private Enterprise

Thus, we begin a period of revived private enterprise. In 1947, instead of Federal public works, there will be a large volume of private plant expansion. Instead of ever-growing issues of government bonds, there will be multiplying issues of corporate securities, to an increasing extent representing equities in plant and equipment, or venture capital. Individual spending will rise as government spending falls. The new period will be based upon the production of real goods, which means that to an increasing extent incomes will be earned by production, and will increase as production increases. Just to illustrate, Detroit will cease to be the center of military tank building activities, and again become the center of automobile production. In this connection, as the government retires its debt, the General Motors Corporation expands its equities.

As a matter of fact, we have been in a business depression, except possibly during the war, since 1933. It has been government and politics that have been booming. Now it is my judgment that, aside from a brief period of readjustment, it will be business that will boom. The depression of 1947 is likely to be a depression in government, and it is the employees of OPA who will be out of jobs.

The foregoing error regarding the creation of national income rests upon a misconception of "production." When an object is both desired, and held to be worthwhile, by free individuals, then it is a real product.

It is characteristic of real production that it pays its way. Another characteristic is that it is not a fixed quantity: the more the real production, the more consumption there can be. The greater the real production, the larger the real income, and therefore the purchasing power. Broadly speaking, one product constitutes a demand for another.

Thus we need not fear any deflation arising from an allegedly fixed "national income." The national income in dollars may rise or fall. The real production and wealth of the nation are what count.

This error concerning the source of income is closely associated with the notion that it exists as an absolute—as a fixed total of purchasing power—a sort of "wages fund," so that if one

share goes up, another must go down. This leads to the fourth and fifth concrete errors in forecasting.

#### Additional Forecasting Errors

(4) The fourth error affecting forecasts is that there is some mysterious difference between so-called durables and so-called on-durables—the much abused distinction between hard goods and soft goods.

(a) The fact is that we find many cases of greatest shortage in such so-called non-durables as men's wear, household linens, sugar, linseed oil, edible oils and shoes—to mention a few. On the other hand, among those goods which are most abundant in supply are aluminum and radios, both hard goods.

(b) The logic is that the producers of hard goods are the consumers of soft goods. There is no water-tight bulkhead between the two. They can and will expand together.

(c) The main element in forecasting for 1947, however, is the capital-goods industry, including the building. All the talk about durables and non-durables is a very Red, red herring drawn across the trail of investment and capital. It doesn't make so much difference what happens to hard or soft goods, as it does what happens to capital goods. It is most significant that practically all large companies are planning to expand plant and equipment next year.

Again, note that it is production that furnishes the basis both for demand and for consumption. The producers-goods industries are the greatest source of employment and income. The prospects for the producer-goods industries are good. In this connection, perhaps I should present my opinion that the reaction in building activity that has occurred recently but minor and temporary and that a resumption of the long upward swing in the building cycle is to be expected during 1947. Conditions that will contribute to this end or the approaching decontrol of the building industries, the more abundant supplies of the basic building materials, and the development of better bases for bank credit for building purposes.

(5) The fifth error is the notion that building up inventories is a dangerous, perhaps a fatal process.

The inventory "pipeline" is not a rigid tube. Within limits, it can and will expand to carry an expanding output of goods. The fact is that demand may increase as inventories increase. After all, inventories are capital and are required for production. And production is the basis of demand. It is a part of the true understanding of business to recognize that inventories are significant with relation to orders and shipments.

Times may change, but such truths remain. Since when did it become bearish to build up adequate inventories? How can a pipeline flow at a maximum capacity until it is full?

In this connection, the viewers-with-alarm may well be reminded that a few years ago the excessive inventories were found in the hands of the government, including such goods as cotton. Now we find that the condition of demand has existed for even such apparently dangerous accumulation.

(6) The sixth and final error that stands in the way of a true forecast is the Federal Reserve Board's index of industrial production. This is one of the products of the inflation of the past few years.

In the first place, this index of industrial production exaggerated production in the war period, and led to notions that our "productive capacity" is excessive. The truth is that the so-called war production was largely not production at all. Certainly, the "activities" that contributed to it were not motivated in the normal

peacetime way. Our productive capacity is not excessive.

In the second place, the index of industrial production almost universally in use shows too high a level now, in comparison with pre-war periods, and especially in the case of the so-called non-durable or soft goods. No allowance is made for long term trend, a very important matter. This trend is affected not only by the growth of population, but also by the rapid multiplication of families and babies, to say nothing of the remarkable rise in the standard of living. This index is seriously affected by a bad system of weighting the average and by distortions due to averaging relatives.

#### Business Hit Bottom in Early 1946

One of the positive results of understanding this condition, is

that the forecaster may better realize, first, that we have had a business cycle with the peak back somewhere around the end of 1943, and a bottom somewhere early in 1946. Thus we are up but a little way in the expanding phase of the current business cycle. More correctly based measures of industrial production, suggest possibly about 18% above long time trend. Since the computations of long time trend are obsolete, a true index of industrial production would probably be less than 18% above normal. As already indicated, I would suppose the building cycle to be no more than half way up in its expanding phase.

## Unchanged Basic Interest Rate Predicted by First Boston Corp.

(Continued from page 3213)

price inflation should attain virulent proportions (a contingency which is not envisioned) such endeavors to absorb individual and business funds are doomed to failure because of the mass psychology which would exist. For price inflation of a less virulent degree, it urges increases in actual and potential production as a more effective means of containing the price rise at a bearable level, and adds that the danger of attempting to increase non-bank holdings of Treasury securities in such circumstances is that of interfering with the necessary flow of savings to productive uses.

The larger part of the analysis deals with the requirements of varying levels of future business possibilities over the five-year period. For prosperous business conditions the gross national product is set at \$213 billion with a national income of \$178 billion. It is estimated that for business conditions in which unemployment ranged between 7 1/2 million and 2 1/2 million, residential construction would average from \$7 billion to \$10 billion annually; other construction and producers durable equipment would average from \$14 billion to \$17 billion annually; business inventories would increase further by \$2 1/2 billion to \$3 1/2 billion annually, and net exports should be sustained at about \$3 billion per annum.

#### Annual Corporate Financing Needs Only \$2 Billion

It is estimated that corporations would be able to finance their large capital requirements principally from their own savings, or retained earnings, and that their needs for outside financing would average only \$2 billion per annum, or \$10 billion for the five-year period. The report also estimates that consumers will spend a higher percentage of their disposable income than they did before the war.

On the basis of these estimates of capital formation and of consumer spending together with probable government expenditures, it is also pointed out that personal income tax rates throughout the coming five-year period need to be reduced by an average of 20%. Expenditures of the Federal Government are set at a range of \$28 1/2 billion to \$30 billion. Under prosperous conditions it is envisioned that even with such a tax reduction, the Treasury would have a budgetary surplus of \$3 1/2 billion and a cash surplus of \$5 1/2 billion, which would be used principally to retire commercial bank holdings of Treasury securities.

The analysis states that the "private enterprise system pro-

#### Tax Structure Must Be Reformed

The report emphasizes that the tax structure and burden must be conducive to the maintenance of a healthy economic climate. It further states that it is necessary for both labor and management to strive to increase production and consumption, particularly if labor is to be continuously employed within the capacity of business. It is also essential that investors be encouraged to provide the funds necessary for increasing the plant and equipment of old enterprises and for the establishment of new ones.

## Marache, Sims & Co. Opens in Los Angeles

LOS ANGELES, CALIF.—Marache, Sims & Co. is being formed with offices at 210 West Seventh Street to engage in the securities business. Partners are Paul J. Marache and W. J. R. Sims. Mr. Marache was previously with Harbison & Gregory; prior thereto he was executive Vice-President of Fawel, Marache & Co. and headed by his own investment firm, Paul J. Marache & Co.

## Competitive Pattern in Consumer Credit

(Continued from page 3216)

we do today, with the result that we financed from one dealer a number of high-priced trucks selling from \$4,000 to \$7,000 each, with down payments as low as \$500. Our first casualty in the automobile field was this truck dealer, with whom we had approximately \$150,000 in wholesale and \$500,000 in retail. I recall that repossession on the retail ran close to 70%. In spite of the fact that we had only advanced 80% on retail and 80% of the wholesale price, in the final liquidation of the account we sustained a loss of over \$125,000. This loss would have been greater but for the fact that the army needed trucks and bought the entire stock. Otherwise we would have been forced to sell these trucks retail and our loss probably would have been as much as 50% of the money employed.

Rates at that time with the company I was with followed the pattern of the receivable finance business and we had the same rates on retail as on wholesale, namely, one-thirtieth of 1% per day on the total receivables, with an advance of 80%, or a net yield of 15%. With the experience we established on the passenger car business we began to encourage this type of business and developments during the next few years tended to stabilize this kind of financing and we started to learn what down payments and terms meant. Terms at that time were limited to 12 months on new cars and 8 to 10 months on used cars. On new cars we endeavored to secure one-third down and on used cars we required 40% down. Rates during the early 20's were mainly whatever the finance companies wanted to charge. The construction of retail rates during this early period was based upon a percentage rate up to 10 or 15% plus a handling charge, plus insurance, all of this added to the unpaid balance.

During the early years we did not consider insurance a source from which we could derive profits, but considered it only a means of protection for the accounts. We required only fire and theft insurance.

In the late 20's the method of financing automobiles on a non-recourse basis began to appear and the feeling among a number of finance companies was that it was impossible to operate on such a basis—that the procedure was unsound and a number of companies preferred to stay on a recourse basis.

During the later 20's the wholesale rates were three-quarters of 1% flat charge plus three-quarters of 1% per month on the outstanding. Non-recourse rates were several per cent higher than straight recourse rates. During the period from the late 30's on, with money rates going down and with the finance companies being able to acquire money in the capital market, there was a steady reduction in rates. Wholesale rates came down to one-half of 1% flat charge, plus 1/2% per month, and it was not until 1936 that retail rates on new cars were stated on a standard multiplier, when General Motors Acceptance Corporation announced their 6% plan. I recall the discussion at a finance convention in 1936 when this plan was announced and a number of companies felt that they just could not operate on the 6% plan and would probably have to go out of the automobile finance business. However, bank rates to finance companies continued to decline and the 6% plan became more or less standard and a fair rate for new car paper.

Out of this 6% it was customary for the finance companies to give anywhere from 1% to 2% to the dealer as a reserve, either

for his repurchase agreement or as a bonus for obtaining the paper.

About that time a plan also was formulated whereby the finance companies gave recognition to late model cars, with the result that substantial rate reductions were made on cars up to two years old and the higher rates retained on older cars.

With continued reductions in wholesale rates, the standard rates on new car wholesale, prior to the Second World War, came down to \$1 plus 4%, the \$1 to cover the cost of insurance and handling charge and the 4% being the rate per annum for the number of days the car remained on the dealer's floor. This rate was later reduced, in 1945, to \$1 plus 3% per annum. Also, in 1945, the standard 6% plan was reduced to a 5% plan by some companies, out of which dealers' reserves were paid in about the same proportions as they had been on the 6% plan, with the result that we now find an inadequate rate structure. The extension to dealers of large wholesale credits without the proper retail volume makes the wholesale rates unprofitable. The reductions were made largely to offset some of the prospective competition from banks.

Formerly it was customary to derive a substantial profit from the insurance written on retail transactions; such profits ran from 30 to 50% of the insurance premiums, depending upon the loss ratio. Over the last few years the insurance companies have been showing no profit, as loss ratios on automobile insurance are running as high as 135% of premium income. In some instances, finance companies are paying the insurance company premiums above what they receive from their finance business, in order to keep their insurance connections. They hope the loss ratios will improve.

It is well to consider the kind of job that has been done for the American public by the relationship that exists between automobile factories, automobile dealers and automobile finance companies, with each of the three groups competing for each other's business, or with each group as a whole competing with the other two groups to force an increase in the volume of automobile production through to the consuming public. The part the finance companies have played in this production and the assistance which they rendered to dealers is evidenced by the results of the past.

To carry out this assistance, finance companies have always paid the automobile factories cash as the cars are shipped. In some cases the finance companies have advanced the full 100% of wholesale cost and sometimes the freight from the factory to the local showroom. At certain periods new cars have not moved freely enough to keep the factory wheels turning, the dealer has been forced to overstock, and the finance company is called upon to finance the excess, even though the dealer's normal credit facilities have been exhausted.

At times we have looked at our wholesale outstandings and wondered if a dealer would ever sell the stock he had on hand before the new model arrived. Then, to further help the dealer, we made advances on used cars so that he could handle his trade-ins, and at times used-car inventory became high and in final liquidation some losses would be sustained. In some cases, to keep a dealer in business, we have advanced more than the cars have been worth. In addition, when a dealer's working capital is not sufficient to operate his business, we make what are called capital loans, which sometimes were unsecured.

To improve the dealer's service department we have made advances on his equipment and accessories. All such loans are customarily made at bank interest rates.

It is well to consider the service rendered by a finance company to a dealer other than financial assistance. We realize that the last trade-in on a new car, which may be the second, third or fourth trade-in, has to be financed if the dealer is going to make a profit. We therefore have to be in a position to purchase all the paper offered by a dealer, namely mine-run paper, which means that we have to take the good with the bad, as well as border-line credits. Sometimes we must extend these credits in a matter of minutes, as the sale is very important to the dealer and delay might cost him his prospect.

We also direct to the dealer repair work in the event of a collision accident, to be given to his service department. In some years the profits from this department made it possible for the dealer to break even. The service rendered by finance companies has been pointed out to show the vital part they play in a dealer's operations.

In examining the competitive pattern in the finance business it is well to look at the operations of the finance companies during the seven-year period from Jan. 31, 1935 to Dec. 31, 1941. These figures have been compiled by the First National Bank of Chicago and cover principally their own customers whose combined capital, including debentures, was in excess of \$500,000,000 and who did a volume of business of \$2,700,000,000 in 1935, which steadily increased, except for 1938, to \$4,500,000,000 in 1941, with outstanding receivables at the end of 1935 of approximately \$900,000,000 which increased to \$1,780,000,000 at the end of 1941. During the seven-year period the gross income on volume of receivables purchased was approximately 6%. The profit ratio to volume averaged approximately 1 1/2%. Profit ratio to volume for 1941, the largest year in the automobile finance business was 1.11%. Operating expenses during the period were approximately 4.6% of volume, with operating expenses in 1941 4.2%. Losses to volume averaged about 9/10ths of 1% for the seven-year period, losses for 1941 being 68/100ths of 1%. Converting these profits on volume to capital employed, the earnings for the seven years are as follows:

1935	16.22
1936	15.54
1937	15.02
1938	9.51
1939	9.44
1940	10.54
1941	11.03

These profits, in comparison with other financial institutions, manufacturing companies and small loan companies are not excessive. A study of these figures will indicate that finance companies cannot materially reduce their rates below the 1941 rate schedules. Operations of finance companies for the year ending Dec. 31, 1946 will not compare favorably with the averages for the seven years prior to the war. It seems clear that if the finance companies are going to do the job of postwar financing, comparable to what they did prior to the war, there will have to be increases both in wholesale and retail rates. This condition has already been recognized by the finance companies.

It is the only industry I know of that has had increased wages, rents and all operating expenses, plus a slight increase in the cost of money, which has reduced its

rates to the dealers and consuming public.

The American Bankers Association found in a recent survey that nearly 95% of the banks in the country plan to engage in some form of consumer financing after the war. How this bank competition is going to effect finance companies remains to be seen. None of these banks apply to those banks who plan to render a full and complete service to dealers, nor to those banks who intend to serve depositors' credit needs through a personal loan department. Finance companies welcome these banks to the consumer credit fraternity. The competition the finance companies regard seriously is the direct to-the-automobile-buyer or the bank insurance agency plan.

The National Automobile Dealers Association likewise feels that this may be a threat to the existing relations between finance companies and dealers. Their post-war planning committee, in its recent report, stated that the problem of bank competition surmounted in importance any matter yet presented, that it merited the dealer's closest attention and gravest consideration. Further, they stated that it was vital to the interest of the dealers of the nation and that its importance could not be measured in words. This committee recommended a seven point program to the Association, designed to keep control of financing needs, as follows:

1. Remind the dealer that many of them have contributed to the probable loss of this business to the bank by exacting reserves which sometimes reach usurious proportions by a padding process. This practice is not countenanced by all finance companies, but has been sufficiently widespread to have created a completely unsettled situation.

2. Educate dealers in the economic value of the retail function they perform by selling financing with necessary insurance to the buyer.

3. Educate dealers in the importance to them of retaining the profit they realize, through the dealers' reserve, from the retailing of financing service.

4. Educate the consumer, through the dealer, in the desirability of securing his financing service from the same dealer who sells him a car, accessories, parts, repairs and maintenance service.

5. Make clear to consumers that when they finance through a bank they are taking away business from their favored dealer, just as much as when they buy parts and even cars from some other dealer. It will be well to remind the buyer that should he borrow from the bank, he creates an obligation with that bank that will affect his further borrowing power capacity.

6. Show the customers that when they finance through a local bank they are getting less service than when they use the long established dealer finance company arrangement.

7. Remind the dealer that it is the usual practice of the insurance company who carries the risk through his regular channel of financing, to bring to that dealer for repair, any car damaged by collision. If the placing of insurance passes from the dealer's control, then the automobiles he has sold likewise pass out of his control when repairs are needed.

Considering this type of competition we feel that if it is developed to any great extent, it will affect the dealers' operations seriously, because if there is any large amount of retail paper taken direct by the banks, the greater part of it would be the most desirable portion of the retail paper, and as the volume of retail declines in proportion to wholesale financing, the finance companies would have to adjust their rates either in the direction of larger wholesale rates or larger retail

rates, or the dealers' business would not be attractive.

As nearly as I can ascertain, 60% of the new automobile paper was handled by the finance companies in 1929 and this has progressively declined until it represented about 38% in 1941. At the present time new car retail developing from new car wholesale has been running below 10%. There are many factors that must be considered in determining why this percentage is so low. One reason is that a number of cars were sold for cash and wound up in the black market or in the lots of used car dealers. Also, a large number of the new cars have been going to fleet buyers, who do not finance them. With the elimination of OPA this percentage will probably be increased.

The first turn our company has had in any improvement was during the month of October, when the number of retail transactions amounted to 21 1/2% of the wholesale transactions, which was a big improvement over previous months.

We also have a unique problem in our business. Capital of all finance companies is inadequate to finance automobile production of five or six million cars, because if the finance companies do the same unit volume in 1947 or 1948 that they did in 1941, their volume will be increased over 100%, as the average unpaid balance has increased by that amount, due to the increase in retail prices. This would mean that the amount of outstanding receivables would be increased from the 1941 figure of \$1,800,000,000 to \$3,600,000,000. With net worth of approximately \$500,000,000 the debt of the finance companies will reach a maximum of \$4,000,000,000 or 8 times present net worth. The banks have liberalized their credit policy regarding borrowing ratios to 4 to 5 times net worth. This would mean that the total borrowing capacity on a 5 to 1 basis would be about 2 1/2 billion dollars, so the present capital and bank credit of the finance industry would be short 1 1/2 billion dollars, and to meet this condition capital accounts would have to be increased substantially.

When we consider the present competitive terms and the present lack of profits, with the possible volume of business the finance companies and banks will have to finance, we come to the conclusion that the present rate structure will not last, that there is bound to be an improvement in rates, both wholesale and retail, and even though the banks may cut in, to some extent, we believe that over the next few years the finance companies are going to have an improvement in rates, both wholesale and retail,

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## Standard Stock Exch. Now Spokane Stock Ex.

SPOKANE, WASH.—The Standard Stock Exchange, largest mining exchange in the United States, has changed its name to the Spokane Stock Exchange, according to an announcement by Paul Sandberg, President of the Exchange. Mr. Sandberg stated that the name was changed since most exchanges are named after the cities in which they are located.

## Consumer-Spendable Income, Spending, Saving, Credit

(Continued from page 3214)

ble income an amount calculated to cover the cost of absolute necessities. How much this deduction shall be is more or less arbitrary, but something like \$250 per capita, or possibly \$1,000 per family and \$500 for each independent person, in dollars of 1935-39 purchasing power, appears to be about right to cover food, clothing, fuel and shelter at the minimum level. This amount, increased or decreased year by year to correspond with changes in the index of the cost of living, represents the volume of purchases concerning which consumers have practically no choice. What is left of disposable income is what the sellers of comforts, luxuries, and durable goods have to compete for. Savings also come out of this residuum, which some economists call "supernumerary income." In correlating sales of automobiles with national income over a series of years, we have found that supernumerary income usually gives better results than disposable income, and both are better than total income.

### "Supernumerary Income"

Supernumerary income may not be increased by inflation, even if disposable income and net national income and income payments are considerably increased. We have avoided a serious inflation in the war, and supernumerary income increased faster than the cost of living. From 1941 to 1946 disposable income increased 63%, the cost of living increased 37%, and supernumerary income increased 81%. Hence the unprecedented savings that are reported. Hence also the unprecedented volume of retail sales and the willingness of the public to buy any kind of trash.

But although supernumerary income rose from 1941 to 1946 it may decline fairly sharply next year even if income payments and disposable income decline only moderately. For example if disposable income fell 10%, from \$145 billion to \$130.5 billion, supernumerary income might fall 16%, if the prices of necessities remained unchanged. Or to put it differently, if disposable income fell 10%, supernumerary income would fall more than 10% unless the prices of necessities fell more than 10%, which I doubt will happen.

National income, measured in money, is derived either from production or from inflation. If derived from inflation it may not result in higher supernumerary income, and if it does so, that result will probably be temporary. But for the market analyst a more serious objection to the inflationary method of increasing the national income is the effect it has in altering the normal pattern of income distribution and changing the buying habits of large classes of consumers. Income from production goes to producers and investors usually in proportions that do not differ much from year to year. Income from inflation goes to government employees and contractors, to holders of inventories and speculators, in amounts that are almost wholly unpredictable.

### Spending Habits of Producers And Investors

The spending habits of producers and investors do not change rapidly. The spending habits of contractors and speculators vary greatly between prosperous times and bad times and are hard to predict. In general income derived from inflation is quickly spent, and to a large extent on expensive luxuries. Those who do not share in it cannot reduce their consumption of absolute necessities but they can purchase fewer comforts, and extend the lives of their dur-

able goods—clothing, household equipment and automobiles, and skimp on repairs—paint, hardware, furniture, carpets, etc. Which means that a large national income derived from production increases the demand for middle-class comforts, whereas a large income derived from inflation increases the demand for expensive luxuries. Therefore the amount of national income is no more important than its nature or source, because the nature or source of it determines what kinds of buyers get it to spend, and the atmosphere in which they do their spending.

None of the statistical studies of spending and saving habits has made this distinction, and it is one that could not be made by ordinary sampling methods. They have classified individuals according to their incomes in a given year. Users of this material have made their own calculations of the distribution of income in later years, and have usually assumed that persons moving to a different income class would conform to the habits of that class. Some analysts have recognized that an adjustment of this sort takes time. Most analysts have recognized that an allowance must be made for changes in the purchasing power of the dollar as measured by the cost of living. But not all prices change by the same amount, and that makes it necessary to consider each category of goods separately. And in the analysis one must consider price elasticity as well as income elasticity. Finally the tastes of consumers change, for reasons other than changes in income.

This is illustrated by the two great governmental studies of 1935-36 and 1941-42. Confining our attention to families with incomes between \$1,000 and \$10,000, since the samples were unreliable below and above that range, we find considerable differences in the proportion buying automobiles, whether new or used, and the proportions owning automobiles that were new when bought. Adjustment for the rising cost of living makes little difference, since there was only about a 5% rise. Adjustment for higher direct taxes helps considerably, and also adjustment for the higher price of automobiles. But still we find fewer buyers in 1941 than the 1935-36 income study would have led us to expect. The chief reason for smaller sales of new cars seems to be that before 1935 there had been five years of low sales and there was a vacuum to be filled. 1935 followed three years in which average sales had been only 1,510,000; 1941 followed three years in which average sales had been 2,700,000.

Since consumer credit is listed among the subjects to be discussed at this meeting I must point out that consumer credit is an important addition to supernumerary income, but that its use at inappropriate times or in excessive amounts involves danger. We have found that if the terms of credit are arranged so that the buyer always has an equity, i.e. the resale value of the automobile is always higher than the unpaid balance, both the seller and the buyer are protected. This means a down payment of a third or more, because new automobiles lose value rapidly in the first year, but it does not necessarily mean a strict limitation of the period of payment. At present the term of the loan is limited to fifteen months by Regulation W. Our own loans average less than that, and have not often gone beyond—not because of any policy concerning a fixed maximum time, but only because of the controlling principle that the buyer must always have an

equity. At the present time the proportion of autos sold on time is considerably smaller than normal—perhaps only one in five, as against a normal proportion of more than one-half. We could doubtless have sold all the cars we have been able to make this year without extending any consumer credit whatever. The number of well-to-do buyers has exceeded the production of cars, and the use of consumer credit falls off rapidly as one goes up the income scale. Also there has been some use made of savings accumulated during the period of universal shortages. But there will come a time when consumer credit will again be necessary to enable persons in the lower income brackets to purchase cars. When that time comes I have no doubt

that Regulation W will be relaxed, if it has not previously been abolished.

And finally, just a word on savings. Some government and other Keynesian economists fear that the nation may suffer from excessive saving. I take the opposite view. In my opinion no nation has ever suffered from excessive private saving, and Russia is the only one that has suffered from excessive governmental saving. After a great war, involving immeasurable loss of capital, a high rate of saving is needed to finance reconstruction, for it must be financed somehow, and the only alternative to saving is inflation. But an adequate discussion of this point would take a week, so I conclude with this bald statement.

so that taxes can be cut accordingly, especially taxes in the lower income brackets, for it is within this group that our greatest opportunity for expanded production, sales and distribution lies. Taxes must also be cut for business, so that businessmen may have the wherewithal to constantly improve their products, their plants and equipment so that unit prices can be reduced to the consumer. Taxes which impede the flow of funds into risk enterprises and which stifle proper incentive must be removed. Again I repeat, that anything we do to extend or raise the level of real income of the people will be done for our greater prosperity and full employment. This is the government's responsibility toward continuing employment for its people.

### Trade Barriers Must Be Abolished

Now, one final conviction I have about distribution is that the trade barriers which plug the lines of distribution must energetically be disposed of once and for all.

Today there are innumerable State, city and industry-imposed barriers that are insidiously taking their toll of the consumer's dollar, making it difficult for the ordinary businessman to survive, increasing distribution costs, and placing unnecessary obstacles in the way of veterans and others who want to establish businesses of their own.

Behind almost every trade-barrier law, or regulation, is a mixture of motives. But the small businessman and the consumer must pay a heavy price for each barrier. When you add to the price a purchaser normally would pay for a product, without compensating him in extra value for the increase, you automatically shrink the size of your market and your possibilities for continued growth and expansion.

Trade barriers are fundamentally restrictive. They are injurious to business and they adversely affect the wholesomeness of the national economy.

The time has come for Congress to examine the whole question of trade barriers, and to take remedial action. As our elected representatives they are the proper body in government to make such determinations as are necessary for the national welfare. But the time has also come for businessmen to take a hand in destroying those industry-imposed barriers that are blocking the road to reduced costs.

Trade barriers are an economic evil. They have a cumulative effect on our entire economy. Common sense should tell us that we can only prosper when trade is permitted to flourish to its fullest and when prices are low enough to permit as many people as possible to purchase as much as possible. Trade barriers are distribution barriers, and you businessmen who are primarily distributors should make the destruction of such barriers your immediate concern.

As I have said so many times in the past, progress, above all else, is the American way of life. We are always concerning ourselves with those problems which seem to impede our way toward a higher standard of living, toward prosperity and continuous employment for our people. It is this enterprise on our own behalf that has made us a great nation. Thus the work and effort we put forth on the problems facing distribution is energy spent for the good of all of us.

The difficulties and struggles of today are but the price we pay for the accomplishments and victories of tomorrow. The distributors of this country have given us an exciting and satisfying past. It is to their great and everlasting credit that they will continue to give us an exciting and satisfying future.

## Distribution to Sustain Expanded Production

(Continued from page 3215)

the interest of particular companies as it must in the competitive struggle for survival; second, to advance the interests of all business so that the total volume of goods and services purchased will be increased.

Selling, advertising and sales promotion are necessarily directed towards increasing the sales volume of a specific brand or of a particular product. Moreover, it is by these methods of aggressively merchandising individual products and brands that distribution has succeeded, over the long run, in selling a higher standard of living to the American people, and thereby influencing the level of employment.

However, there remains an area in which the most progressive promotional activities will prove of questionable purpose unless the more basic problem is first faced and resolved. This area is that of potential consumers who are forced to remain potential consumers because of the meagerness of their income. A third of a nation is something more than a political cliche. It is an economic reality, and a distressing one. Until we, the leaders of American industry find an effective means of increasing the income of these people they have no effective choice but that of spending their limited incomes on the basic necessities of life. Here the task is not one of inducing them to consume more but rather of increasing their productivity so their incomes will expand and they can buy more.

In short, whatever increases the efficiency and productivity of this one-third of the nation, whatever increases the money income they earn, whatever stretches the buying power of the money they earn, whether it is through lower taxes or lower prices, will tend to increase their total consumption and thus will enlarge the flow of real national income and employment.

I have known a good many businessmen who worked hard at reducing their costs, but then failed to translate those savings into improved plants and equipment, or to increasing consumer consumption by passing along the cost reductions in the form of "price" reductions.

I want to again warn such businessmen that this practice discourages buying and consequently restricts production and employment, and with it sales and distribution.

Every businessman should constantly and energetically strive to reduce his cost factors and then pass on these reductions to the consumer in lower prices or improved products, or in the improvements he can make toward greater efficiency in his plant or equipment. Lower the cost of the product or improve it, or preferably both, and you increase its distribution! This is the dynamo

These reductions must be made

## Questions of Foreign Economic Policy

(Continued from page 3215)

trade by means of tariff agreements under the Reciprocal Trade Agreements Act and through its proposals for an International Trade Organization.<sup>1</sup> It seeks to promote multilateral trade, and to remove trade discrimination and restrictive business practices through the International Monetary Fund, and the proposed International Trade Organization. The United States has also argued for the inclusion of non-discrimination clauses in the peace treaties with the defeated nations. In order to restore world trade and production as rapidly as possible and to raise the income of less developed areas the United States has made large governmental loans to foreign countries and has sponsored the international agreements which led to the establishment of the World Bank and the World Fund.

In addition to the sponsorship of international agreements and the making of direct loans to foreign governments for the promotion of multilateral trade the United States has on occasion made representations to governments entering into long-term bilateral arrangements involving a large volume of trade.<sup>2</sup> The U. S. Government has also sought to curb the activities of foreign purchasing missions by requesting them to limit their purchases to commodities required for relief and rehabilitation, to make purchases in accordance with commercial considerations and through normal trade channels, and to liquidate their operations as soon as possible.<sup>3</sup>

In certain cases stated international objectives may come into conflict with special national interests and policies, or the international objectives may be found to be in certain respects inconsistent within themselves. For example, certain aspects of America's agricultural program are in conflict with our general international objective of eliminating import quotas and export subsidies. The United States has from time to time imposed import quotas on certain agricultural commodities. In 1938 we inaugurated a program of subsidizing exports of wheat and wheat flour followed by the subsidizing of cotton exports in 1939.<sup>4</sup> It is significant to note in this connection that the U. S. "Suggested Charter for an International Trade Organization" provides for loopholes to the general rules against import quotas and export subsidies.<sup>5</sup> These exceptions to the general rules would enable the United States to employ import quotas and export subsidies whenever necessary to support our domestic agricultural price and production programs. It is difficult to see how we can secure the maximum advantages to be gained from interregional specialization if nations resort to these exceptions to a substantial degree.

Of course, if nations pursue an uneconomic domestic policy of maintaining prices above their normal competitive levels and discourage the transfer of resources and labor from less productive uses, an appropriate foreign trade program will have to be employed in order to insure the effectiveness of the domestic program.

<sup>1</sup> See "Suggested Charter for an International Trade Organization of the United Nations" Department of State, September, 1944.

<sup>2</sup> See "Swedish-Soviet Trade Negotiations Exchange of Notes between the U. S. and Swedish Governments" State Dept. Bulletin, Sept. 15, 1946.

<sup>3</sup> See Claire Wilcox, "Fundamentals of U. S. Trade Policy," State Dept. Bulletin, Washington, D. C., Oct. 6, 1946.

<sup>4</sup> Under the Surplus Property Act of 1944 the Commodity Credit Corporation may sell surplus farm commodities for export at competitive world prices, even though domestic prices are higher. See M. S. Gordon, "International Aspects of America's Agricultural Policy," American Economic Review, September, 1946, pp. 596-612, for a discussion of this question.

<sup>5</sup> See Articles 20 and 25 of the Charter.

### Conflicts of Objectives

The international objectives of maintaining world economic stability and of promoting the maximum freedom in international commerce in order to secure the greatest possible advantages from interregional specialization may also come into conflict. A good example of this conflict may be seen in the recent discussions regarding the Orr plan for a world pool of farm commodities for the purpose of stabilizing world prices. Critics of this proposal put forward by the United Nations Food and Agricultural Organization have rightly pointed out that under such a plan prices would always be high enough to cover the costs of the least efficient producer, thereby preventing the more efficient producers from capturing a larger share of the world market. Marketing quotas, if established, would be based on the relative shares of the market held during an earlier period and the pattern of production and trade in the controlled commodities would be frozen. Such a system, whether under the control of a private cartel or an intergovernmental committee, tends to stifle economic progress and reduce the gains from trade.

Let us turn now to the question of how certain of the broader U. S. foreign economic objectives may conflict with those of other nations. In considering the five objectives stated above no nation would quarrel with the objectives of achieving a large volume of world trade and high levels of income and employment, although there may be substantial differences of opinion as to how these objectives should be attained. The objectives which present the greatest difficulty are those which relate to multilateralism and non-discrimination in trade, and the objective of promoting free enterprise in international commerce.

The doubts raised with respect to multilateralism and non-discrimination are based on the fear that domestic economies will suffer if they are not protected from rapid shifts in external demand. The conflict over the objective of leaving foreign trade to private enterprise stems from basic differences in economic and political organizations and philosophies.

Although the volume of world trade is partly a function of the commercial policies of trading countries, the most important single determinant is undoubtedly the level of income and employment in the major industrial nations. In a multilateral world, countries which are successful in maintaining high levels of domestic income and employment will inevitably experience balance-of-payments difficulties when there are sharp decreases in incomes and business activity in other countries. It is not surprising therefore that a major issue of the World Trade and Employment Conference in London has been the responsibility of nations, particularly important creditor nations such as the United States and Canada, for preventing serious depressions within their borders. I think that this international responsibility has been definitely established. However, there is no way by which the present Administration in the United States can guarantee that we will live up to this international obligation. The best that can be done is to relieve other nations of their obligations with respect to trade and exchange practices when they are experiencing balance-of-payments difficulties arising from depressions abroad. Adequate safeguards for nations experiencing balance of payments difficulties are provided for in both the International Monetary Fund Agreement and

the Suggested Charter for an International Trade Organization.<sup>6</sup> In addition nations experiencing temporary deficits in their current balance may obtain credits from the International Monetary Fund.<sup>7</sup>

It is recognized, of course, that permitting countries which avoid economic depressions to impose exchange and trade discriminations against a country which is having a depression does not provide complete protection.<sup>8</sup> Countries whose economies are geared to a particular level of imports and exports are bound to suffer from a sharp decrease in their trade. It takes time to develop new sources of imports and new markets in exports. Nevertheless the alternatives of bilateralism and of confining trade within small groups of nations have never been shown to be adequate to meet the needs of modern industrial economies. The sterling area, for example, cannot provide a substitute for Britain's trade with the Western Hemisphere except at a tremendous loss in real income. Just as a modern economy involves greater risks for the individual than a handicraft society in which production is for a local market, so a multilateral world economy is inherently less stable than one in which trade is conducted on a barter basis. But the rewards in terms of productivity are large in both cases. Moreover the day when all governments must assume the responsibility to their own people of maintaining reasonably high levels of employment and income cannot be very far off if democratic capitalism is to survive.

### Private vs. State Trading

The conflict between the objective of keeping international trade in private hands and the objectives of the state trading countries is in some ways more difficult to resolve.

The U. S. Government has never taken a direct stand against state trading *per se*, but it has frowned on many practices which may be inevitable under a system of state trading. The I.T.O. Charter seeks to bring the practices of state trading enterprises into conformity with the general principles of non-discrimination and trade on the basis of purely commercial considerations such as price and quality.<sup>9</sup> In other words, state trading monopolies, whether they deal in a limited number of commodities or, as in the case of Russia, have a complete monopoly of all foreign trade, are supposed to behave like any private trader, buying wherever he can obtain what he wants at the lowest possible price and selling to the highest bidder regardless of any political or economic considerations beyond the purely pecuniary ones involved in each purchase or sale. Admittedly this is expecting a great deal from a state-controlled enterprise.

Ideally of course it is possible to have a multilateral trading system in which each transaction would be determined in accordance with the principles of relative competitive advantage in a world of state trading monopolies.

<sup>6</sup> The International Monetary Fund provides that in the event the Fund declares a currency to be scarce the members may impose restrictions on the purchase and sale of that currency (Article VII, Section 3, *Articles of Agreement, The International Monetary Fund*). Parallel provisions are included in the I.T.O. Charter with respect to discriminatory quantitative trade restrictions. (Article 22, *Suggested Charter for an International Trade Organization*.)

<sup>7</sup> For a discussion of the safeguards for deficit countries see my "United States International Financial Policy" *Canadian Journal of Economics and Political Science*, August, 1946, pp. 313-321.

<sup>8</sup> See M. Kalecki, "Multilateralism and Full Employment" *Canadian Journal of Economics and Political Science*, August, 1946, pp. 322-327.

<sup>9</sup> See Articles 26, 27 and 28 of the *Suggested Charter*.

Such a system would require the avoidance of bilateral deals and trade discrimination and a rigid adherence to the principle of purchase and sale on the basis of purely commercial considerations. There would also have to be some assurance that the prices of exported commodities bore a close relation to their costs as reflected in the relative scarcities of the factors employed in producing them. In addition, the decisions regarding what and how much to import would have to be made on the basis of the relative costs of home production and procurement abroad. Since these requirements are likely to conflict with the domestic price and production policies of state trading countries, the ideal conditions for a multilateral state trading system are not likely to be realized.

As a matter of practice the existence of state trading monopolies is likely to do violence to the principles of multilateral trade and non-discrimination in several ways. In the first place national state trading enterprises, whether they be buying or selling organizations, are generally controlled by a single governmental department or their activities otherwise coordinated. Inevitably they will tend to make bilateral deals in trading with other state trading nations or even in trading with countries where trade is in private hands. Many nations will inevitably be pressed into bilateral deals with state trading nations in order to protect their trade. Moreover political considerations can scarcely be eliminated from their decisions regardless of international commitments to the contrary. Finally, the existence of the power to determine what and how much to import or export in the hands of a single trading organization may be in conflict with the principle of the free flow of commerce on the basis of relative competitive advantage.

It would, of course, be futile to attempt to outlaw state trading among the nations of the world. No country can be asked to give its foreign traders more freedom than is accorded to those dealing in similar commodities produced and sold in its domestic markets. If, for example, a government maintains a monopoly over the sale and distribution of domestically produced tobacco products, it is not to be expected that importers and exporters will be permitted to buy and sell these commodities without restriction. The course taken by the I.T.O. Charter is probably the best compromise that can be achieved between the interests of nations moving in the direction of economic nationalism and those which adhere to the principles of unregulated private enterprise in international commerce. As a minimum the I.T.O. Charter will provide a mechanism for consultation regarding the practices of state trading nations and may be instrumental in preventing some nations from being forced into nationalizing their foreign trade against their will.<sup>10</sup>

### I. T. O. Provisions a Compromise

So far as the violence which is done to the principles of multilateralism and non-discrimination in international commerce is concerned, it makes little difference whether trade is controlled by state enterprises or by privately controlled international cartels. International agreements by private or governmental enterprises to fix prices, establish marketing quotas, or to otherwise restrict production or sale in international

<sup>10</sup> Article 30 of the *Suggested Charter* provides for representation to the Organization by any member with respect to the trade practices, including state trading practices, of any other member which are believed to be in conflict with the obligations of the Charter. If the offending member fails to abide by the recommendations of the Organization, that member may be suspended.

commerce are rightly outlawed by the I.T.O. Charter.<sup>11</sup> Where international commodity agreements for the purpose of stabilizing prices are considered to be desirable in the interest of world economic stability, provision is made in the I.T.O. Charter for the development of such agreements under the supervision of the Organization.<sup>12</sup> Such arrangements are not without danger, however, and if permitted to freeze production and trade in uneconomical channels they will conflict with the broad trade objectives of the Charter. Nevertheless the international commodity agreements contemplated under the Charter will be far better than we are likely to get in the absence of international supervision. Like all other international agreements which have a chance of success, the I.T.O. Charter represents a compromise between the various conflicting national interests and international objectives which must be resolved if society as we know it is to survive.

<sup>11</sup> See Articles 34, 35, 36 and 37 of the *Suggested Charter*.

<sup>12</sup> See Articles 41-49 of the *Suggested Charter*.

## New York Stock Exch. Appoints Gray & Klem

Emil Schram, President of the New York Stock Exchange, announced the appointments, with the approval of the Board of Governors, of Edward C. Gray as



Edward C. Gray



Charles Klem

First Vice President and Charles Klem as Vice President and Treasurer.

Mr. Gray has been Vice President. He is in charge of the Department of Member Firms. Mr. Klem has been Assistant Vice President and Treasurer.

Mr. Gray was first employed by the Exchange in 1918 after having graduated from New York University. He is 44 years old. Prior to the reorganization of the Exchange, in 1938, he was for three years secretary to the former Committee on Business Conduct. From that position he advanced, in 1940, to the position of Director of the Department of Member Firms, becoming Assistant Vice President in 1943 and Vice President in 1945.

Mr. Klem came to the Exchange as a floor page in 1922, advancing to the position of Assistant Director of the Department of Public Relations in 1932 and to the Assistant Secretaryship of the Exchange in 1938. Early in 1941 Mr. Schram detached him from his duties in the Secretary's office to work as a member of the President's staff on financial and budgetary problems. He became Assistant Vice President in 1943 and Treasurer the following year.

## Tucker Anthony Admits

Tucker, Anthony & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Cecil F. Gordon to partnership on Dec. 31. George S. West, limited partner, will retire from the firm on Dec. 31.

## Surveying the Post-Election Scene

(Continued from page 3206)  
only encouraging, but surprising considering past attitudes on the part of other agencies. I am happy to say the change so far as the SEC is concerned, came before election.

Government regulation of our business is here to stay and those who think differently are a very small fringe. I am convinced that in time the securities industry itself will be given credit for the good job it has done in self-regulation and that, as it continues to do a good job, the regulatory agencies will relinquish more controls as they find them no longer necessary.

I cannot refrain from another comment on government attitudes. There is one government agency that has yet to see the light, and I speak of the Federal Reserve Board which, by fiat, has destroyed the loan value of listed securities, among which are to be found some of the soundest investments in the world and held by millions of people. The Board, in my opinion, ignored the intent of Congress by its action.

There are only a few, I am sure, in the power and light utility industry who would like to repeal the laws affecting that industry. Significantly, almost no investors, or even speculators, in public utility securities, would like to see these laws repealed.

The reforms, represented by our securities laws, although hard fought, are here to stay. So are many other good things which the "left of center" government brought us during its 14 years of power.

Yes, much of the legislation was good, and need I mention my old love, the RFC, in which your own Jesse Jones did such a magnificent job. I was most pleased recently to see that agency stand its ground when efforts were being made to force it to make what it considered unsound housing loans. I could see signs of the early training of the old master in that controversy.

### Break in Cotton

I know that you in the South were recently seriously effected by a break in the cotton market. Being close to that picture because of the large volume of cotton business that our member firms handle, I can see the need of further self-regulation in our commodity exchanges. I refer to self-regulation that will strengthen the stability of the markets, not weaken them, and this I am delighted to see, is apparently being undertaken by the exchanges themselves, voluntarily. They should be permitted to do so. We learned long ago that self-regulation is best, but it must be thorough and effective. Our own failure some years ago to introduce stringent self-regulation brought us a trip to the woodshed that will not be forgotten and which, incidentally, matured us quite rapidly.

I want to preach a bit about economic morality as it centers around the law of supply and demand. When you push any commodity, or any security, or any manufactured product, to an artificially high price by trying to repeal or ignore the natural law of supply and demand, you unwittingly invite subsequent grief. Fortuitous circumstances, such as unexpectedly poor crops or a war, may come to the rescue for awhile; but eventually there will be no fortuitous circumstances and a house made of cards will fall to its own weight.

For nearly a score of years, in one way or another, we have been trying to make the law of supply and demand operate at something over 100% efficiency in creating

higher and higher prices for every staple crop the American farmer has to sell. We have succeeded in getting prices up but we should never forget how favorable the political and economic climate has been.

### The Price Parity Law

The price support laws, in most cases, guarantee for two full years after Jan. 1 following the official declaration of the end of the war that the objective of government policy shall be to maintain farm products at not less than 90% of parity. Now, parity is determined by what the farmer has to pay for the things he buys. The things the farmer buys, in turn are priced to a considerable extent by the cost of the labor that goes into making them. If, therefore, wages increase, parities must go up with them. There is always the possibility that higher industrial wages may result in such high farm parities as to price American farm products, including American cotton, out of the world markets. Don't forget that, in spite of regimentation abroad, the law of supply and demand still governs the world markets.

Just because the government's efforts to support farm prices thus far have been successful, it is dangerous to conclude that these devices always will operate so effectively in favor of the farmer. Thus far, everything in the world environment has been favorable to success. In other words, the law of supply and demand has been operating in favor of higher prices, and working along hand in hand with the statute laws enacted by the Congress.

In regimenting prices for the benefit of the farmer, we have done just about the way governments always do when they try to improve on the law of supply and demand. We have gotten in deeper and deeper, regulated more and more, regimented more and more, built more and more complicated bureaucratic institutions. In short, one thing has led to another until the public has become fed up. It has had enough.

You may not like this, or you may like it, according to where you sit and according to your individual opinions, but the recent sharp "turn to the right" in American political and economic thinking puts the whole system of regimenting prices for the purposes of the farmer on the defensive, just as it has put labor union favoritism on the defensive.

I think all of us will be better off if we have a free market in farm products and farm staples. In the case of cotton, now that we have a short crop and the whole world is in need of everything from which cotton is made, this may be a very good time to begin to switch back from a regimented market to a market governed solely by the law of supply and demand.

Too many people think they have a monopoly in cotton, or in wheat, or in copper. They formerly did have the control of the markets for all of these commodities. But now, cotton also is produced in Russia, in Egypt, in Brazil, in Turkestan, and in India, as well as in other places; the wheat belt has moved steadily to the Northwest until the United States no longer is as important as a wheat exporting country; and more copper now is produced in South America, Canada and in Africa than in the United States.

The big mistakes the bulls on cotton made last Summer, when they bought cotton futures on the poor crop here in the South, was that they forgot to look at the whole world supply situation. Other countries had a good crop.

We have found out on the New York Stock Exchange that the safest markets in the world are

free markets. The 1929 stock market collapse undoubtedly was accelerated, if it was not precipitated, by the fact that prices had been advanced too fast and too high under artificial conditions — by the use of too much credit and by either winking at or actually aiding in the artificial operations of pools and other manipulative activities.

### Prices Threaten Our Prosperity

If there is any incipient danger to prosperity in our present national economy it is, as you know, in the field of prices. There always is a danger that people will come to think of prices as an end in themselves rather than as merely a function in the economy. Too many in late years have been regarding price as an objective. The function of price in any commodity is only to regulate its supply and to regulate the demand for it.

Just recently some things have been going up in price very rapidly. Price control kept prices for some products and commodities far too low; not enough was produced and too few were discouraged from wanting to buy. Someone had to go without, or to have too little. Now prices are being allowed to rise. The advance in prices has a double effect; it makes for a smaller demand and a larger supply. Eventually, when the supply is larger and fewer people buy, prices will have to come down so as to entice people to make purchases.

The danger here, of course, is that too many things will go up too fast and price themselves out of the reach of mass buying power. So long as there are only a few automobiles made, of course, manufacturers can dispose of small cars for \$1,600 and medium-sized cars for \$2,000 — but there are many potential small car owners who can't pay more than \$1,000 and many potential medium car owners who can't afford to pay more than \$1,300. Until the "premium" market is exhausted, the automobile maker can get along all right and sell his production, but a time will come when he will have to tap the mass market. This can be done only when cars are obtainable at lower prices.

The same thing can be said for almost every scarce and high priced item about which people now complain. As prices resume their functions in a free price economy, strange things are happening. We should not confuse the abnormal and the unusual with the normal and the usual. These present obvious maladjustments are the product of more hidden maladjustments which preceded them. Many of them, to be sure, were the necessary product of a long and hard-fought war.

Price control was not all wrong during the period in which our nation was in danger, but every economic literate knew that its long-range consequences would be such as to demand painful adjustments.

Now we are in the midst of the great adjustment. Unquestionably the farmer will be the first to feel the blow of falling prices. But he is best equipped to withstand the shock. He seems to have more notches in his belt. But why is he so well equipped? Because he is willing to work hard. He has always worked hard and the fact that he has paid his debts down to the lowest figure in years testifies to his good sense. He is making strides in the better utilization of his land. More and more of his crops are being used by industry through the progress of chemurgy. Great new vistas in agriculture are being opened to us constantly. To me as a farmer, the future never looked brighter. I heard many times last month imme-

diate after the election, "Thank God for the American farmer." I repeat that tonight. He will always be a tower of strength in the economic and social life of our nation. Don't ever sell him short.

### Necessity of Markets

One other thought and I am through. You have taken from the bowels of the earth the most valuable precious natural resource in the world — petroleum — in ever-increasing quantities. You have shipped its by-products into the other 47 states of the Union. You have piped natural gas to Atlanta, to California, Colorado and Illinois and now you propose to transport it to the New York metropolitan area.

The significance of my observations lies not necessarily in the vast productivity of your State, but rather in the fact that you must have "markets" to exploit your enormous resources.

Production, distribution and consumption are the cornerstones of an economic existence. I need not tell you that the wealth produced in Texas is consumed only to a very minor extent in the same form in this State. Other parts of the country — and indeed of the world — buy your oil and cotton and sulphur and have sent untold sums into your State or made it possible for Texans to buy the goods and services of every variety which are required for an ever-improving standard of living.

This interdependence of the economic life of one section of the country on the nation and the rest of the world is one of the central points which we must fully recognize in formulating our future political and economic policies.

What I have already said, per-

haps too bluntly, is that to some extent Texas has been living off its capital and confusing capital returns with recurring income. We have a similar problem in New York in capital gains, although I believe the Treasury and Wall Street make the mistake of underestimating the other forms of capital gains outside of profits in securities. It is unfortunate that the capital gains tax is entrenched in the intricacies of the tax structure.

It cannot be too often emphasized, however, that there is a basic distinction between income and capital gains, and that our method of taxing the latter is extremely crude, for one thing, since in a period of rising prices such as we have been going through for some years, gains are only paper profits to a very great degree. Ask anyone who has sold his residence or ranch, bought 10 years ago, and who is now seeking another place.

What we are all aiming at, east and west, north and south, is the full utilization of our resources, both the resources in the soil and our human resources. This means that we must not put impediments in the way of their use. One of these impediments is the capital gains tax which should be modified in the interest of putting all of our resources to work, particularly since in the present period of readjustment it will be necessary to stimulate risk capital in every form. Texans are not afraid of risk; historically you took great risks to gain independence and developed your resources without asking for guarantees. You and I are one in demanding only that the cards be not stacked against us in the future.

## ABA Calls for Abolition Of Regulation W

(Continued from page 3210)

terprise system.' Among these controls, it included the control of consumer credit known as Regulation W.

"On November 16 the Board of Governors of the Federal Reserve System announced the streamlining of Regulation W. This was widely publicized as an important step in the Board's program of modifying Regulation W, whereas in fact the principal relief it granted to consumers was in the matter of charge accounts. The limitation on the use of charge accounts was lifted; however, rigid controls were continued on the use of consumer instalment credit.

"Now that all other controls governing the purchase of consumer durable goods have been removed, the time has come for the complete abandonment of Regulation W.

"We recognize that some consumer durable goods, including automobiles, refrigerators, washing machines, etc., are still in scarce supply. However, we also realize that if the distribution of these goods is to be on a fair and equitable basis, the arbitrary restrictions imposed under Regulation W on the consumer financing of these goods must be eliminated. The only way these goods can be made available to all groups of our citizens is to permit sound credit terms which are within the reach of the vast majority of the people. The terms now required under Regulation W mean that the little fellow must obligate himself to make monthly payments of such size that they would be a financial burden that he cannot afford to assume.

"The Consumer Credit Committee of the American Bankers Association is aware of its responsibility to help combat inflation. The Committee recognizes that it would be a mistake to do

anything that would contribute to inflationary pressures. However, the Committee believes that the arbitrary control of consumer credit is inflationary because if the terms imposed are too severe for most people to buy needed consumer goods out of income they will be forced to cash war bonds to purchase such goods. The Committee further believes that bankers and businessmen could put in effect sound credit terms. Such terms would make it possible for people in the middle and lower income groups to buy necessary goods. These terms would not be inflationary, nor would they affect prices or require policing by the government. What these terms should be is a matter of education on the part of each lender. This Committee would be pleased to advise banks, for instance, what in its judgment are sound, standard terms in this particular period. The losses that would inevitably result from loose terms that create unsound loans is the natural check on our system of individual enterprise. A free yet sound flow of consumer credit can be maintained only if bankers and businessmen are free to use their own best judgment, based on their intimate knowledge of the borrower and local conditions.

"With the elimination of controls on prices and wages there is no longer any justification for the existence of Regulation W. The Board of Governors of the Federal Reserve System suggested in a recent report to Congress that this regulation be made a permanent credit control. Regulation W was a war emergency measure. It was never intended to be a permanent government control and should be abolished now. It is hoped that the new Congress will agree with this view."

## A Wage Policy for 1947 Prepared for CIO

(Continued from page 3209)  
tion that profits are extremely high in comparison with all previous experience.

The growing concern over economic developments is not limited to businessmen. Concern is greatest among the millions upon millions of workers who have been caught in the vise of the inflationary rise in prices and whose incomes have shrunk substantially in terms of the food and clothing and other necessities of life which can be bought with the contents of the weekly pay envelopes.

Seldom, if ever, in our history have we experienced within a few brief months, such a major shift in economic well-being with drastic consequences to such a large proportion of our people and to our whole economic stability as has occurred in 1946. From a successful period of stability in prices prevailing throughout the war, we have moved into a state of unhealthy and harmful inflation, all within a few months. As the detailed facts demonstrate, this situation may be traced to the successful pressure against price control in the face of continued shortages arising out of the war and the insatiable quest for ever higher profits. The results may be clearly seen in the growing burden upon workers, paralleled by the lushest profits in history.

The demand for some types of goods and services has already softened. Millions of low income families find themselves priced out of the market. The demand for most goods is still very high because of the backlog of wants and the high incomes and accumulated liquid savings of those in the middle and higher income brackets. These demands cannot form the basis of continuing prosperity. Long-term prosperity must be based on expanding mass buying power. It cannot be achieved by shrinking the buying power of the workers in order that profits may rise far beyond reasonable and stable levels.

### 2. Never in recent years has the national interest so clearly required a major general increase in real wage rates.

The purchasing power of by far the greater number of American families has been falling recently, month by month. Of all the gainfully employed people in the United States, about three-quarters are wage and salary earners. These—the great bulk of our people—have suffered a major decline in the real value of their earnings during the past two years; in recent months this decline has been proceeding at an alarming rate.

Meanwhile incomes other than wages and salaries have not declined but on the contrary have increased sharply. Since 1944, while the total of wages and salaries derived from all sources—public and private—has fallen, corporate profits after taxes have risen about 50%, and the incomes of farm operators (after all expenses) have risen about 40%. Earnings that go, on the whole, to the more prosperous among our people have risen sharply, while the earnings of the workers have fallen.

Three dangers are inherent in the present trends toward a reduction in the real income of wage and salary earners and an increase in the share of the total national income going to profits. First, the living standards of the masses of our people—never better than a tenuous compromise with minimum requirements of health and

### STRAIGHT-TIME HOURLY EARNINGS

Durable Goods Manufacturing	Nondurable Goods Manufacturing
Industries	Industries
105.3 cents	84.0 cents
103.2	91.7
114.9	100.1
+9.6	+16.1

decency—are being seriously undermined. Second, the long-term stability of our economy is being endangered by a shift of income away from the consumption of the masses and toward the savings of the relatively few. Third, the social and political health of our democracy is being threatened by the concentration of income and wealth and the resultant concentration of power and influence. These are great dangers.

It is obviously futile, at the present time, to anticipate correction of these dangerous trends through reductions in prices and profits. The regulatory mechanisms by means of which reductions in prices and profits might have been achieved, through government action, have been shattered irretrievably. Moreover, businessmen show no signs of exercising such self-restraint in their natural search for profits as would bring about a decline in prices except in the face of a sharp reduction in demand. On the contrary, the business community has first pushed aside price controls and then raised prices rapidly in the face of already huge profits. In the five months ending October 1946, living costs consequently rose nearly as much as in the fifty months following Pearl Harbor. Wholesale prices rose even more.

It seems equally futile to anticipate a correction of these dangerous trends through a change in tax policy. On the contrary, current congressional tax-thinking runs, at best, in terms of an equal percentage reduction in total individual tax liabilities for all individuals now paying income taxes. This would mean an enormously greater percentage increase in income after taxes for large incomes than for small ones. Therefore, if current congressional ideas prevail, changes in taxes will still further accentuate the dangerously diverging trends in incomes from wages and salaries as compared to incomes from profits.

### 3. Public opinion has been lured into a false sense of security with respect to national wage trends by exaggeration of the extent and the significance of increases in straight-time hourly earnings.

There is a widespread belief, particularly among businessmen, that "Everybody got an 18½-cent an hour increase this year." This belief is mistaken.

Over the entire period from January 1945 to October 1946, average straight-time hourly earnings in all manufacturing rose by only 12.7 cents, from 97.0 cents per hour to 109.7 cents per hour (Chart and Table 13). This measure of hourly earnings, which disregards overtime premiums, therefore rose 13.1% during the past two years.

Apart from individual industry variations, which have been substantial, there has been a broad difference in the pattern of increase in straight-time earnings between durable and nondurable manufacturing. This difference reflects the contraction in the demand for labor in the durables after the war peak and the sustained expansion in nondurables (Chart and Table 3).

The rise in straight-time hourly earnings has been more continuous and substantially greater in the nondurable goods category than in durable goods manufacturing (Chart and Table 14). From January 1945 to August 1946, the gain in the durables group was only three-fifths as much as the

gain in nondurables. The gain in durables for the whole two years took place entirely after the steel dispute settlement of February 1946.

Changes in straight-time hourly earnings are not directly significant in measuring the economic changes in which we are most interested. Changes in straight-time hourly earnings do not directly measure changes in labor costs; neither do they directly measure changes in the money that the worker has available to maintain his standard of living. These most vital issues are discussed below.

### 4. While there has been a sizable increase in dollars and cents straight-time hourly earnings, the increase in cost to employers of an hour of work has been much more modest. The increase in labor cost per unit of product has been even smaller.

As indicated above, the average increase in straight-time hourly

### INCREASES IN HOURLY LABOR COST AND STRAIGHT-TIME HOURLY EARNINGS, JANUARY 1945 TO OCTOBER 1946

	All Manufacturing	Durable Goods Manufacturing	Nondurable Goods Manufacturing
Straight-Time Hourly			
Earnings	12.7 cents	11.3 cents	18.3 cents
Hourly Labor Cost	8.6 cents	6.1 cents	16.4 cents

While the average dollars and cents cost per hour of work in manufacturing rose by 8.6 cents, the average dollars and cents labor cost per unit of output presumably rose even less. Since January 1945 the quality of the civilian labor force has improved notably. Men with experience have been demobilized and have taken jobs formerly held by women and by very young and very old persons who are not normally members of the labor force. Higher level operations in the mass-production industries are being achieved and bottlenecks are being eliminated; both of these trends mean higher man-hour productivity. While it is too early for conclusive statistical evidence of a post VJ-Day increase in man-hour productivity (except in a few industries that have specially good data), there is a reasonable presumption in favor of such higher productivity. It is not at all improbable that the increase in productivity has offset a substantial part of the increase in hourly labor costs.

Even if there had been no increase in productivity during the past two years, labor cost increases would hardly begin to explain the rise in prices. An increase in hourly labor costs in

### WEEKLY EARNINGS OF PRODUCTION WORKERS

Selected Industries	Jan. 1945	Oct. 1946	Change
Automobile	\$59.42	\$53.12	-\$6.30
Steel	55.04	50.28	-4.76
Petroleum and Coal Products Mfg.	56.20	55.20	-1.00
Lumber and Timber Products	33.72	38.79	+5.07
Canning and Preserving	31.69	41.54	+9.85
General Retail Merchandise Stores	22.31	28.57	+6.26

This development means that, in terms of January 1945 prices, average weekly earnings in all manufacturing were only \$39.24 in October 1946 compared to \$47.50 in January 1945 (Chart and Table 18); a rise of 21% would be required to erase the loss. Workers in manufacturing can now buy only about four-fifths of the goods and services with their weekly pay that they could buy in January 1945. In durable goods alone a rise of 27.5% in weekly earnings would have been required in October 1946 to restore real earnings to the January 1945 level.

It must be emphasized that the percentage rise in dollar earnings required to bring real weekly earnings back to the January 1945 level varies considerably from industry to industry (Chart and Table 19). For automobiles it was 28.4%, for steel 25.7%, and for electrical machinery 17.6%. There is no presumption that the profit position of companies in these in-

dustry varies in relation to the increases which would be needed to restore the buying power of weekly earnings to their January 1945 status.

Changes in real weekly earnings are the best general measure of the ability to sustain or improve the standard of living. It may, however, be argued, with considerable force, that workers put in longer hours during the war than they would like to work permanently.

A reduction in hours worked may mean some increase in welfare even if secured through a moderate reduction in real purchasing power. For this reason, it is of value to examine the trend of real hourly earnings as well as real weekly earnings.

### 7. The real hourly earnings of labor in all manufacturing in October, 1946, required an increase of 8% to equal the real hourly earnings of January, 1945. With present price and wage trends, the real increase required at the end of 1946 will be about 10%.

In durable manufacturing alone, the increase required in October to reach the Jan. 1945 real earnings rate was 10.9% (Chart and Table 20). In nondurables, the real hourly rate in October was already 1.3% above the Jan. 1945 level (though 6.0% below the real earnings peak of May, 1946).

In indicating the increases in weekly and hourly earnings that are required at the present time to restore real earnings to the Jan. 1945 level, we do not mean to suggest that there is ground for national complacency concerning even the highest standard of real earnings yet attained by American workers. On the contrary, even the highest standard of living yet reached by American workers falls far below the level that we are accustomed to consider "the American way of life."

Neither do we wish to suggest that the standard of living is the only proper subject of consideration in the formulation of national wage policy. Costs and productivity in their most concrete and practical form—namely as reflected in profitability—are considered below.

### 8. There has been one outstanding development in the earnings of labor during the past two years. This development has been a very pronounced tendency for the lowest-paid groups of workers to receive the relatively larger wage increases.

There is great—though not complete—consistency in the trend toward greater percentage wage increases in lower-paying than in the higher-paying industries (Charts and Tables 3 to 12). Within the broad durable and nondurable manufacturing groups, it is the lower paid industries that have had the larger pay increases relative to their previous earnings. On the whole the nondurable goods workers (who are, as a group, the lower paid) have received greater increases than the durable workers. Many especially low-paid nonmanufacturing groups have also moved up sharply. The convergence since Jan. 1945 has been greater in weekly than in hourly earnings because the loss of overtime has been more pronounced in the higher-wage industries.

There has been a convergence of earnings not only in comparison with 1945 but also—quite strikingly—in comparison with 1939. It is one of the most constructive developments of the 1940's that the earnings of lower paid workers now more nearly approximate the earnings of the higher paid workers than was true in the prewar years. The strong demand for labor and the efforts of the better-organized workers

have therefore not benefited only the already relatively well-paid groups of workers.

This convergence of labor earnings means that, while there is still a great range of individual differences and a great variety of individual industry problems, it is more meaningful to think in terms of an overall national wage policy now than at any other time in our recent history. Such general thinking will still need to be adjusted to the individual facts in each industry or firm under direct consideration, but it can afford some broad policy guidance.

**9. At full employment, the present price and wage structure of American industry yields a level of corporate profits before taxes as high as at the lushest period of war prosperity. It yields a level of corporate profits after taxes about 50% higher than the war peak and utterly without earlier precedent in our national experience.**

In Dec. 1946 the economy has not yet reached the high level of production and profits that is in prospect in several fields, particularly in consumers' durable goods. Yet we are already at approximately a \$25 billion level of total corporate profits before taxes (Chart and Table 22). This volume of profits equals that of the best war year; it is more than 2½ times the 1929 volume of profits and nearly five times the average 1936-39 profit volume. The total Gross National Product is now only 2½ times as great as it was in 1939 (Chart and Table 1); the share of corporate profits has increased greatly.

For manufacturing corporations alone, the profit situation is only slightly less brilliant—on a before taxes basis. Due to the exceptional volume and profitability of wartime manufacturing business and also to major interruptions of production in 1946, profits before taxes in manufacturing are still below the war peak. But they are now passing the \$13 billion mark—a level more than 2½ times that of 1929 and more than four times the average of 1936-39.

On an after taxes basis—which is most relevant to the earnings of stockholders—corporate profits are approaching \$15 billion, fully 1½ times the level of the best war year (Table and Chart 23). Due however to the lower prewar corporate tax structure, corporate profits after taxes are now about 1¾ the volume of 1929 and 3¾ times as high as the average of the years 1936-39.

For manufacturing corporations alone, on an after taxes basis, the picture is very similar. At the end of 1946, profits are approaching an annual rate of \$8 billion. They are about 45% above the best war year, 1¼ times as high as in 1929, and 3½ times as high as the 1936-39 average.

The economic and social consequences of such an unprecedentedly high volume of profits are of the highest import. They require the earnest consideration of the American people.

**10. Total corporate income has risen much more rapidly since 1939—and especially since 1945—than income from wages and salaries.**

On a before taxes basis, corporate income rose by approximately 275% between 1939 and the year 1944, while wages and salaries derived from private employment\* rose by only 138%. Since then, as demobilization has progressed, private wages and sal-

aries first decreased and then moved up to a level 169% above 1939. Corporate profits also dipped but have subsequently recovered to a level about 290% above 1939.

On an after corporate taxes basis, corporate income rose 133% from 1939 to 1944 while private wages and salaries rose 138%. Since then private wages and salaries have risen by a further 12% while corporate profits have risen by a further 50%.

**11. In spite of the increase in corporate taxation since the late 1930's, total corporate profits after taxes are now greatly higher in relation to sales than they were in the prewar period.**

In the years 1936-39, all corporations earned an average return (after taxes) equal to 3.2% of the total value of their sales (SChart and Table 26). In the last half of 1946, they had a net return of about 5.8% on total sales. This is an increase of four-fifths in the net rate of return on sales.

If all corporations had only the same average rate of return on sales at the end of 1946 as the average of 1936-39, their net earnings would be running at an annual rate of approximately \$8½ billion rather than \$15 billion. This would still be double the 1936-39 profit level. A gross profit of about \$13¾ billion (instead of the present annual rate of about \$25 billion) would suffice to yield a net of about \$8½ billion. Therefore, by accepting the pre-war rate of net return on sales, all corporations would be able to grant wage increases at an annual rate totalling roughly \$11½ billion. An even greater increase in wages would be possible if corporations were to accept the same rate of profits before taxes on sales as in 1936-39; this would merely mean that they would not shift the increase in corporate taxes onto prices.

Manufacturing corporations alone had a somewhat higher rate of net return on sales in 1936-39 than all corporations—4.3% instead of 3.2% (Chart and Table 27). In the last half of 1946, manufacturers' rate of net returns on sales was about 5.7% or 33% higher than in 1936-39. This more moderate rise in the rate of manufacturers' returns compared to those of all corporations reflects particularly the present lush margins at all levels of distribution.

If manufacturing corporations had the same rate of return on sales as in 1936-39, their net profits would now be running at an annual rate of about \$6 billion instead of \$8 billion. Their gross profits would be about \$10 billion instead of about \$13¾ billion. They would have about \$3½ billion to contribute to wage increases.

**12. Corporate profits are now especially high in relationship to net worth or to any other significant measure of the stake of ownership in business operations.**

Sales volume is an equivocal yardstick for measuring profits—especially in the perspective of wage policy—because the volume of sales is a joint product of capital and labor. The ownership stake in business enterprise and the level of profits are more adequately appraised in relation to net worth or some other index of investment. Net worth would be an unexceptionable measure of ownership participation but for the great increase in cash and Government securities held by business enterprises in recent years. In a realistic sense, a very large part of this cash and Government securities is not invested in the business and has no claim to earn a normal business return on investment. In the very substantial measure that net worth is inflated by such assets, the ratio of profits to investment in recent years is unduly minimized.

\*We have excluded civil and military Government wages and salaries throughout this comparison because no profits accrue from Government employment. Including such Government payrolls, total wages and salaries rose by 155% through 1944 but have fallen to 150% above 1939 at the present time.

It is therefore all the more

striking that the return, after taxes, of all corporations on their net worth rose from 2.9% in 1936-39 to 9.1% in the fourth quarter of 1946 (Chart and Table 26). It is similarly striking that the net return of manufacturing corporations on their net worth rose from 6.9% in 1936-39 to 11.6% in the fourth quarter of 1946 (Chart and Table 27). By other measures, which attempt to correct for the excess amount of cash and Government securities included in net worth, the rise is even more spectacular (Chart and Table 28).

Even the conventional net worth measures reveal some striking implications for price and wage policy. If all corporations were content to accept their 1936-39 rate of return on net worth, they could afford at the present time to grant wage increases of an annual value of about \$17 billion. Manufacturing corporations alone, without reducing their rate of return on net worth below the high level of 6.9% earned in 1936-39, could grant wage increases of an annual value of about \$5.1 billion.

After granting this \$5.1 billion of wage increases, manufacturing corporations would still earn about twice the average \$2½ billion of profits that they earned in the years 1936-39 and nearly as much as they earned at the war peak.

The calculations cast some light on the irresponsible assertions that the price increases that have occurred during 1946 were made necessary by wage increases. On the contrary, there is every reason to conclude that—with exceptions in some few industries and firms—these wage increases could have been absorbed and a satisfactory level of profits nevertheless maintained. The 8.2% increase in average manufacturing hourly labor costs could easily have been absorbed out of the lavish profits that have been earned. In fact, on the average, substantially larger increases could have been absorbed. Some necessary increases in prices could have been counter-balanced by price decreases. Such a healthy wage, price and profit development would have been particularly assured had reasonable wage increases been granted without long-drawn-out interruptions of production. Peaceful settlements between labor and management in 1946 would have meant even larger output and therefore greater profitability and greater capacity to pay the higher wages without raising prices.

**13. Even manufacturing corporations, whose profit position has not improved nearly so much as that of all other corporations, can afford to grant their production workers an increase of 21% in total earnings at the present time without reducing the corporate rate of return on net worth to a level below the 1936-1939 average of 6.9%.**

As indicated in point 11 above, the 1936-39 rate of return on net worth for manufacturing corporations (after taxes) was 6.9%. Maintenance of this rate of return would permit, at the present volume of business and with present productivity and prices, the granting of about \$5.1 billion of annual wage increases. It would also leave corporate profits after taxes about twice as high as 1936-39.

Total manufacturing production workers' payrolls in the last quarter of 1946 will be at an annual rate of about \$27 billion. But in 1939 about 10.6% of total manufacturing payrolls were accounted for by unincorporated business. Even if we allow only about 9% for unincorporated business at the present time, the share of total payrolls properly attributable to corporations would be only about \$24½ billion. A 21% increase on \$24½ billion would be about \$5.1 billion.

It must be emphasized that this 21% increase in earnings is pos-

sible on the average, in manufacturing corporations, without any expansion in volume. Such an increase is independent also of the possibility of adding to the profits of manufacturing corporations by raising manufacturers' prices and retaining present prices at later levels of distribution, thus moving in the direction of restoring former profit relationships as between manufacturing corporations and others. Should such a restoration of traditional relationships take place, a substantially larger increase than 21% in the earnings of production workers in manufacturing would be possible without any increase in final prices. On the other hand, this makes no provision for increases in wages and salaries of the nonproduction workers.

Unfortunately, due to the absence of appropriate payroll data for all corporations, it is impossible to make the same type of analysis of the wage increases that could be made out of the excess profits of all corporations as is possible for manufacturing corporations alone. We can be confident, however, that the increase possible on an all corporations basis would be much the larger. As indicated in point 11 above, the rate of return on net worth for all corporations has more than tripled since 1936-39 while the rate for manufacturing corporations alone has less than doubled. It may therefore be conjectured conservatively that if the excess profits of manufacturing corporations will support a rise of 21% in wages in manufacturing the excess profits of all corporations will support a general wage increase of at least 25%.

In suggesting the possibility, for industry in general, of absorbing wage increases of approximately these magnitudes, we are not referring to distant prospects. We are referring to economic realities attainable with industrial peace at the close of 1946. No doubt, over time, further increases in productive volume, in labor efficiency, and in profits are attainable. It is perfectly possible for business, under such a healthy development, to grant wage increases of this order of magnitude, stabilize prices, and achieve substantially larger profits than we have indicated.

**14. The salient facts of the wage-price-profit situation in American business today indicate that the national interest requires a major general increase in wage rates. It is most important that this general wage advance be achieved without crippling work stoppages.**

The basic facts are clear. An increase of about 10% in hourly earnings in manufactures is required at the end of 1946 to bring real hourly earnings back to the Jan., 1945 level; an increase of perhaps 23% is required to bring real weekly earnings back to the Jan., 1945 level. An increase of about 17% is required to meet the increase in the cost of living since the enunciation of the Feb., 1946 Government wage policy. In manufacturing industries alone, the end of 1946 level of corporate profits after taxes will support a 21% increase in the earnings of production workers, without any further increase in productivity, without any further expansion in volume, and without reducing the return after taxes on net worth to a rate below that of 1936-39.

In total corporate enterprise, the profit position is less precise statistically but clearly much more favorable than in manufacturing alone, in comparison with prewar; it may reasonably be conjectured that total corporate business can support a 25% increase in wages on the same basis that manufacturing alone can support a 21% increase.

These facts are descriptive of the basic general situation. They do not apply exactly to any in-

dividual industry. Obviously, the profit and wage picture must be considered separately in each wage negotiation.

The facts adduced in this survey provide the general economic background for particular wage discussions and settlements. They have been assembled to throw light on the general wage-price-profit situation. Major decisions in national wage policy are clearly imminent. It is hoped that the assembly of these facts may be helpful in bringing about equitable decisions, made in full awareness of current economic conditions.

A stalemate on national wage policy would be tragic. By depriving the economy of the production that comes from high-level operations, a stalemate would impoverish both labor and management. It would also materially detract from the ability of our economy to contribute to world reconstruction.

**15. The facts all lead to the conclusion that not only from the worker's point of view but also for the benefit of the whole economy a further substantial wage increase without a general price increase is possible, justifiable and essential.**

As has been shown in the preceding analysis and as can be seen in the following tables and charts, the facts combine to indicate the need for wage increases without corresponding price increases. The inflation in which we are enmeshed is clearly not necessary to maintain a healthy level of profits. The wage increases of the past year could have been absorbed without any general rise in the price level. The price line could have been held and still yielded excellent profits.

Business on the whole has given no evidence of restraint or consideration of the dangerous consequences of such excessive profits and such loose pricing. Business policy clearly has been shortsightedly set on raising prices again and again and taking all that the market can bear.

The Office of Price Administration has demonstrated (*Eighteenth Quarterly Report*, June 30, 1946, pages 6-11) that the price advances made by leading industries were not necessitated by wage increases. The OPA points out that actual price increases made by fifteen industries before June 30, 1946 were 3.6 times as large as were necessary to offset the wage increases granted. Since June 30 the increase in manufacturers' prices has been even greater and the relationship to wage increases even more remote. In the second quarter of 1946 profits after taxes for all corporations were already well above the war peak. Yet since June wholesale prices have risen 21% to bring a further sharp rise in profits. Part of this increase in prices reflects the rise in prices of farm products which have processed in manufacturing industries. However, prices of industrial products have also spurted far ahead since June.

There are those who urge labor to abstain from requesting wage increases on the grounds that such a policy would avoid further economic and social difficulties. These people must assume either that the present economic situation is already sound or else that it contains within itself elements leading to an early healthy balance and stabilization. We reject this point of view. The present imbalance between wages and profits is unsound; it is not automatically self-terminating in a manner compatible with general economic stability. Rather, it is self-terminating through a recession. Unless there is an immediate increase in wages or a sharp drop in prices, we are flirting with collapse. There is no evidence to date to indicate that business will cut prices prior to a depression in

(Continued on page 3248)

## A Wage Policy for 1947 Prepared for CIO

(Continued from page 3247)

which unemployment, declining incomes and shrinking demands will make price declines unavoidable. This is too high a price for bringing wages and profits into sounder alignment.

It would not do labor or the public or business any good for labor to forego the needed wage increases. Rather, raising wages without increasing prices appears to offer the only currently possible means of bringing about the kind of relationship which will avoid a serious decline in business activity. Such a policy would step up buying power and bring back into the market for many categories of goods those millions of working families who have been removed from the market because of rising prices. Such a policy should appeal to business as well as to labor as a sound way to restore the basic economic strength which will in turn bring optimism and a sense of security to replace the present pessimism and insecurity.

It would appear statesmanlike for both labor and management to look the facts in the face and to arrive at peaceful conclusions with respect to sizable wage increases immediately. Through such a policy we can have industrial peace; we can have gradually increasing production accompanied by increasing efficiency and productivity; and finally we can have stable prosperity. We have the productive capacity and we have the needs for continuous full em- among all our people.

## Regulation Rapprochement

(Continued from page 3203)

The promised SEC elasticity is also a jumping of the gun, for it must be clear that the new Congress will restore many of the liberties infringed upon by the Securities and Exchange Commission, which impair free, open and liquid markets.

The presently expressed good will of the SEC is in no sense voluntary.

The Maloney Act, the medium of creation of the National Securities Dealers Association, has so stigmatized the SEC as to constitute it a blot upon our National escutcheon.

**Of the disgraceful ways in which NASD has acted as co-policeman with SEC, one of the most odious is its self-imposed OPA inherent in "the 5% spread philosophy" which attempts to place a ceiling upon spreads.**

The challenge to disclose the extent of in camera activity between SEC and NASD has never been met.

The monopoly features of the Maloney Act giving special financial advantages to the members of a National Securities Association, we believe to be violative of the United States Constitution, class legislation and contrary to proper practice.

We regard the NASD as another NRA, only distinctly more vicious in form.

We believe that the history of the transformation from the one set-up to the other, and the persons involved, would make decidedly interesting and enlightening reading.

**Regulators may as social creatures be personable individuals. This may be said of Chester Bowles, Henry Wallace, and Wallace Fulton.**

However, when they are engaged in activities, pursuant to their ideologies, which adversely affect the welfare of the people, then it is time to call a halt.

Shortly the NASD will elect a Chairman of its Board of Governors.

We understand it to be the custom of every newly elected Chairman of the Board of Governors of the NASD to go on a transcontinental junket under the supervision of the Executive Director with the aid of the Public Relations representative.

We believe it to be high time that the Executive Director of the NASD adopted a hands off policy with respect to the Chairman of the Board of Governors so as to make it simpler for such Chairman to assert his independence.

In our opinion Wallace Fulton has been too much the indoctrinator and too little the servant of the securities industry.

Phrase coinage to effect oppression is as characteristic

of the securities field as it is of other activities where freedoms are interfered with.

Hence it is a commonplace nowadays to hear the term "fringe dealer."

Of course a fringe dealer is always the other fellow.

Dealers are either entitled to be such under existing laws or they are not.

The term fringe dealer while picturesque, is entirely a misnomer and a figment of the imagination.

Such persons or entities do not exist.

Freedom is now being sought on a world scale.

As a nation, we are regarded as the leader in that movement.

How important it is, therefore, that in our domestic affairs we clean house.

What we seek to do on an over-all scale let us first achieve in our own nation.

**Government by men must be erased and government by law restored.**

For a long time our constitutional institutions have served us well and were a bulwark protecting our freedom.

Unfortunately, there have been recent departures that threaten our welfare.

The Maloney Act was definitely such a departure, saddling us with the NASD.

To discourage monopoly, prevent secret interactivity between the SEC and the NASD, to encourage free, open and liquid markets; for all these purposes, among many others, the Maloney Act should be repealed and the existing National Securities Association as defined therein, abolished.

We are in sympathy with voluntary self-regulatory bodies.

The NASD is not one of these.

**Now is the time to be rid of it.**

## Rule of Men Displacing Rule of Law

(Continued from page 3224)

ing its influence over purely intrastate matters, if any have escaped the capacious maw of Federal power.

The system is well entrenched. The process has gone far. We can only hope gradually to ameliorate its atrocities and effect procedural improvements. The Administrative Procedure Act was a step in the right direction, but only a step.

Eternal truths have to be learned by sad experience over and over again. Error moves rapidly, often under the guise of reform, but real reform is a slow and tedious process.

### Rule of Equality Violated

The rule of law requires equality. That all must be equal before the law in a free country is another truism that is too often forgotten. I do not now speak of administrative law and practice which, under the best of conditions, are bound to be more or less discriminatory, because that is inherent in the nature of man. No judicial review can change that.

I refer to statutes which are avowedly and intentionally discriminatory.

The tendency to discriminate is inherent in all forms of government. That is one of the reasons why the founding fathers provided checks and balances. It is inevitable under autocratic government and has been one of the rocks on which all forms of government have floundered in the past.

That is not a reason to condemn democratic government, but it is a reason for unremitting vigilance to preserve that equality before the law which is the very essence of democracy.

Quite naturally, discriminatory laws are passed to favor the largest groups, the farmers and the workers who have the most votes. They should be favored to the extent of putting all on a plane of equality, but the effort to do that has gone too far and resulted in legislation injurious to the public and in the long run most of all

to those whom it is intended to serve.

That has been the primary cause of the predicament in which we now find ourselves and the danger is that we may go too far the other way, when our effort should be to restore a proper balance.

One or two examples must suffice.

We have exempted farm and labor organizations from our anti-trust laws.

To put them on a plane of equality with their suppliers and customers, the farmers must be permitted to buy and sell collectively and to engage in other collective activities.

To put employees on a plane of equality with their employers, they too must be permitted to bargain collectively, with all reasonable safeguards. Indeed, the Courts many times said that the workers had that right before it was secured to them by legislation which, however, was so one-sided as in practice to result in coercion rather than bargaining.

At one time the workers had to take or leave what was offered. Now, the shoe is on the other foot and the public foots the bill.

The lust for power grows by what it feeds on. The power of collective action may endanger the very life of the community and destroy individual freedoms. Those who direct such action should be selected by democratic processes, carefully safeguarded, and should be held to strict responsibility and accountability. That is the basis of the laws we now have to secure corporate responsibility and just and fair dealings. Union responsibility can be secured in the same way.

### Labor Monopolies

Monopolies are repugnant to free enterprise and free institutions. Natural monopolies have to be regulated in the public interest. Limited monopolies only are permitted to encourage authorship and invention.

We often hear and all agree that labor is not a commodity.

Free men have the right to work or not to work in harmony with the like right of others. Labor monopolies have on innumerable occasions restricted or prevented the production or sale of the necessities of life. They may be as harmful to the common good and to individual rights as any other kind of monopoly. All should be amenable to the law. None should be permitted to set itself above the law and the public interest.

The prevention of irreparable injury threatened by wrongful or criminal acts has long been recognized as one of the most salutary and essential functions of courts of equity. That is not government by injunction. It is the impartial administration of justice which restrains all alike from the commission of wrongful and unlawful acts when there is no other adequate remedy.

Yet impelled by popular agitation and misleading slogans, anti-injunction laws have been enacted, which as a practical matter have put some groups above the law. Apart from the impairment of free institutions and the injuries inflicted on the public, such laws eventually react upon their intended beneficiaries as wise leaders are now beginning to understand.

It is intolerable that any man or group of men, whether representing capital or labor, should have the power to wreck the national economy or to paralyze the public services and essential industries.

The time has certainly come for a careful revision of our laws to safeguard the public interest, to make all equal before the law, and to enable this country to resume its forward march under a government of just and equal laws.

## NYSE Asks Member Firms To Report Margin Accounts

The following notice was addressed on Oct. 10 by Edward C. Gray, Director of the Department of Member Firms of the New York Stock Exchange to member firms carrying margin accounts:

From time to time in the past the Exchange has requested member firms to furnish it with information pertaining to the number of margin accounts carried by member firms. It will be helpful to the Federal authorities and to the Exchange to have this information at this time.

Accordingly, the Exchange requests that each member firm carrying margin accounts in securities for customers furnish it, on the attached stub, with the total of such accounts open on its books as of the close of business on Tuesday, Dec. 31, 1946.

The Exchange would appreciate the cooperation of the member firms in filing the reports by Friday, Jan. 17, 1947, with the Central Receiving Dept., Stock Clearing Corporation.

For the purpose of this report: (1) Please include only margin accounts with debit balances or with credit balances other than free credit balances; (2) Please count all the margin accounts of one person or organization as one account; (3) Please do not include: (a) cash accounts, even though the customer has signed a loan, hypothecation, or so-called customer's agreement, (b) omnibus accounts of correspondents who are members of the NYSE.

## Merrill Lynch Firm Change

Effective Dec. 31, 1946, Russell Clark, New Orleans, general partner in Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange will become both a limited and general partner; Earl W. Huntley, Los Angeles, limited partner, will become a general partner; Arthur S. Laundon and Herman Belth, general partners will become limited partners.

# Problems in Business Recovery

(Continued from page 3224)

of the people but so as not to expose the Supreme Court to the hysteria and frenzy of an economic crisis during its deliberations; the assumption apparently being that the Supreme Court is not capable of "truthfully and impartially administering justice" during crises. Mr. Lewis' retreat, however, will not affect the determination of Congress to obviate such crises in the future.

Some of the probable results of their efforts will be:

1. The monopoly power of unions will be limited.
2. The closed shop in theory and practice, as we have known it, will be subject to restriction.
3. The violations of contract agreements, on the part of unions, will be subject to punishment.
4. The unionization of foremen will be restricted and foremen will probably be more definitely related to management rather than to labor.
5. The right to strike will be limited in many areas of our national economy, particularly in such industries as transportation, public utilities and the extractive industries of natural resources upon which the general public depends for economic and living necessities. In this connection steps will undoubtedly be set up through which controversies between labor and management must proceed in order to arrive at a satisfactory basis of settlement before a strike need be called.
6. The financial responsibility of the union will be established on a co-existent basis with management. In other words, the day is not far distant when unions will be required to file with the commissioners of corporations in our various States similar statements of financial responsibility to those which corporations today are required to file. It is also evident that unions will be held accountable, under the law, to their membership for the disposition of union funds in the same way that corporations are responsible to their stockholders and to the general public for the disposition of available funds.
7. The Wagner Bill will be revised in order to bring about a clarification of the employers' right to dispense with the services of those whose loyalty to the organization is under serious question and whose productive usefulness to the organization is nil.

There is no stopping this remedial legislation. The temper of public opinion is such that the next Congress has no choice open to it but to provide remedies to prevent a repetition of the chaotic conditions which we now face. The big question to be answered in the future is the attitude of the Supreme Court. In general, Supreme Courts have rendered their decisions in accord with public opinion, but this cannot be taken as a generalization in the present crisis. While labor has been critical of the courts and leaders like Mr. Lewis have tended to flout openly by action and in expressed terms the authority of the court, it is certain that labor will look, in the future, to the courts for protection of its assumed or constituted rights. By and large, labor, management and the public will, all three alike, benefit by the decisions made by the supreme judicial authority of our nation. The immediate decisions may not always be satisfactory but I believe the general interests of the nation as a whole will be best served by a proper airing of controversies such as we are now witnessing so that the public as a whole may see and understand the issues at point.

## Industrial Stagnation

Industrial stagnation presents another major problem in business recovery. This stagnation should be temporary and will be governed quite largely by the duration of present and future strikes. Production in steel, automobiles and other major industries will snap back quickly unless strikes are not settled. Lowered output as a result of strikes will add greatly to the shortage of consumer goods, both durable and non-durable. This shortage will tend to prolong the period of prosperity which inevitably must follow a return to and stability of peacetime economy. Business in general will be helped by this temporary stagnation to complete its task of reconversion. While production enterprises have fully reconverted, some of our major industries still have much work to do before a full production tempo can be realized.

The big strikes of 1947 will be of short duration primarily for three reasons:

1. The general public is completely fed up with work stoppages and is beginning to have little or no patience with minority groups who insist on throwing monkey wrenches into the machinery of production and full economic recovery.
2. At last the Government is beginning to discourage strikes and work stoppages instead of setting the stage for an encouragement of these disorders as has been the case in the past. Employers will be more ready to settle controversies than was true a year ago and primarily because they can now pass on the added costs of the manufactured products occasioned by wage increases without waiting for the approval of OPA and other regulatory government bodies.
3. Workers in general are less interested in work stoppages and are less strike-minded. The wage losses which they have sustained have seriously affected the pocketbook nerves of millions of workers throughout the nation. Many of them are at last waking to the fact that they have been led astray by the pied pipers of Moscow or of other deranging influences which would throttle and completely upset not only our national but our home economy. Many of these workers are realizing for the first time that their leaders are not all-wise and omnipotent in labor management.

Since the end of the war, slightly over a year ago, workers in this country have lost a staggering total of 143,800,000 days of work. As a result of this loss in working time they have also been deprived of the even more staggering total of \$1,350,000,000 in wages. The actual gain which those who have gone on strike have made as a result of their work stoppage, amounts to only three to five cents per hour or approximately \$100,000,000 over that which their employers would have given them on the basis of offers submitted before the strike was called. The indirect results of work stoppages are hard to measure. We have no adequate standards by which we can evaluate these indirect losses.

## Technological Readjustment

In effecting business recovery, we must not lose sight of the importance of the problem of technological readjustment. The magnitude of this problem can best be stated by comparing the research development during World War II with similar development during World War I. In 1918 there were two hundred independent research development laboratories

maintained in this country by business enterprises. This number did not include those laboratories maintained by the government or by colleges and universities. In 1945, the end of World War II, these research development laboratories under private enterprise totaled 2,250, and the annual payroll going to those engaged in research development work for industry totaled approximately \$700,000,000. Do not underestimate your own imagination when you try to comprehend the new products, the new processes and the many new ideas that have been created out of the test tube and the experimental processes of these laboratories. While large corporations have been the primary promoters of these enterprises and the technological benefits will therefore accrue to large scale business, the small business interest must not overlook the effect which these new processes and developments will have upon them. You who represent small business will do well to keep your interest and attention centered upon the kaleidoscopic changes that are destined to take place in production and distribution of all types of goods and commodities as a result of these developments and improvements. It is true that there will be a certain amount of labor displacement resulting from the introduction of labor-saving devices, but the total effect of this displacement upon American labor will tend to be favorable rather than unfavorable. Small segments of our labor population will be adversely affected, but the end result will be an increased demand for skilled labor far beyond the ability of our labor market to meet the demand. Labor leaders, however, like Mr. Lewis and others, should not lose sight of the fact that when the costs of labor become prohibitive in the production of commodities or goods we invariably find one of

two things happen — either new processes or new labor-saving machines are developed so that the need for the high cost of labor in large numbers is diminished, and at the same time production is increased; or industry and the consuming public revolts against paying the excessive costs reflected in the product and reconvert to the use of other products or processes less expensive and perhaps far more satisfactory and modern.

## Power of Atomic Age

The closing days of the war dropped us into a new age of power — the Atomic Age. Scientists and engineers have not yet coordinated their efforts of linking this new found power to our industrial profits, but the day when that will be done is not far distant. In keeping your attention centered upon technological development and its possible effect upon business and industry, remember that the economic history of this country and Great Britain invariably reveals that whenever there has been an upward surge in the curve of inventions, as was the case in the 1940's, and whenever there has been a simultaneous development or discovery of a new power, something interesting happens. Out of this combination of the ingenious expression of man's mind through invention, and the discovery of new sources, there has invariably been engendered a great industrial expansion. Make no mistake of it; we are on the threshold of such an expansion the like of which neither this country nor the world has ever seen.

Linked with these two interesting developments is a third phenomenon of no mean proportions. We are also in an age of learning, the proportions of which dwarf all previous records of mankind's search for knowledge. As evi-

dence of this age of learning, I point you to what is happening on the campuses of the colleges and universities of this country and remind you that this great search for knowledge, skill and truth has only begun. The peak of it will be reached in three or four years hence. Engineering and business are the two predominating interests of study of the ex-servicemen who make up so large a proportion of this student influx to higher education. The implications for business and industry are clear and any business executive who loses sight of the potential personnel, tried and trained for a definite vocational objective, as a source for recruiting competent personnel for his organization in the days ahead will be losing the chance of his business lifetime.

## Inflationary Trends

We cannot complete the consideration of these problems in business recovery without recognizing the influence of inflationary trends. Inflation has been with us for some time and it threatens to continue. Just so long as demands are made by segments of our population for increased wages and increased prices of transferable commodities and services, price rises in the immediate future are inevitable; prices will undoubtedly continue to rise until such time as the consumer does what he did in 1921, goes on a buyer's strike. There is already ample evidence of the consumer's intention to do just that thing. The only solution for preventing a runaway inflation is increased production so that the shortages may be rapidly reduced and that there may be drained off a sizable portion of the cash reserves which consumers have laid aside for the purchase of desirable consumer goods. Business executives need to watch the inflationary trends with great care and particularly to guard against the building up of heavy inventories, lest we experience a repetition of 1921.

## Sales Problems

There does not seem at present an immediate need for concern over the problem of sales as a factor in business recovery. Business organizations which have failed, however, to put their sales organization in streamlined order and who have neglected to make a searching analysis of their markets and their present and future conditions may see the day when this lack of action will be regretted. The picture, at present, is most encouraging. Retail sales during the month of December, 1946, will probably exceed ten billion dollars as against four and one-half billion dollars in 1939. Transposing the current month's ten billion dollar sales into 1939 prices and dollar value, gives us a comparative figure for this month of six and one-half billion dollars in contrast to four and one-half billion for 1939. Retail sales for 1946 will run well over one hundred billion dollars. You well know that whatever happens in retail sales also happens in wholesale transactions and what happens in the price structure in the retail field likewise happens in your field.

Time does not permit me to say what I would like to say regarding the problem of housing development. This is one of the most critical issues with which our nation has been faced. Housing represents an appalling governmental bungling of an acute problem, for which there is no excuse.

There is no point in our national economy at which we are playing fast and loose with the moral, social and the spiritual welfare of our population to a greater degree than in the housing development. When two, three or four families are compelled to live where only one was intended to live these im-

portant national resources are destined to suffer. The public indignation is great; what shall we do about it?

## Fiscal Policies

The business recovery of this country will be quite largely conditioned by the manner and the extent to which we address ourselves to handling our fiscal policies and problems. The balancing of the Federal budget is a necessity in our governmental economy. It must be done by cutting expenses, by eliminating unnecessary government functions and services and by scrutinizing with greater businesslike care the financial commitments of local, State and Federal governmental bodies. In the interests of good business and of good government we need to address ourselves to a realistic reorganization of our tax structure. We need to give thought to new techniques of legislative action which will prevent wholesale appropriations of funds which have not yet been collected or created and made available in the Treasury before the appropriations are made. Of course, there are emergencies to be met when such action cannot be anticipated, but we should call a halt, once and for all, in the constantly recurring emergency of deficit spending.

In closing, may I give you, in a word, the general outlook for business as I see it. The coal strike, the continued demand of labor for a higher and higher wage increase, the inflationary spiralling of prices, constant disturbance of labor-management relations and the perplexities growing out of world affairs, all tend to create the setting for a period of uncertainty and of hesitancy of action on the part of the businessman. Too long a continuation of these disturbing forces may well precipitate a brief but rather drastic recession, similar to what we experienced in 1921; we hope we may avoid it, but if it must come, the sooner the better. Such a recession may do much toward shaking down the spongy fiber of our economy and to expedite the reconversion from an inflated wartime economy to a peacetime stabilized economy. Once such a recession has been experienced the stage will be set for a restoration of confidence in business and we may well expect a period of unexcelled prosperity to last for several years, at least for five, probably for six or more years.

America is on the threshold of a great national and international development. She holds in her hands the leadership potentialities whereby she may help materially in directing the destinies of sound world economy. We have a wonderful chance to help the devastated nations of Europe and of Asia recondition and rehabilitate their social, economic and political resources. Doing so from a helpful and instructive attitude divorced absolutely from an imperialistic and domineering attitude, cannot help but result in creating a favorable world opinion toward us.

Your own group and the association you represent cannot help but share in large measure in the prosperity that lies ahead. You have a great future before you. Make the maximum use of it, but be always sure that this is based upon the principle of service first above self.

## Two With Buckley on Coast

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William C. Pike and James Harding Walraven have become associated with Buckley Brothers, 530 West Sixth Street. Mr. Pike was previously with Walston, Hoffman & Goodwin.

## The Threat to Independent Business

(Continued from page 3207)  
production and a lowering in the level of employment. Monopoly power prevents the full utilization of our productive and human resources. It retards technological progress. It stifles the development of new enterprise.

Let us briefly review the gains made by monopoly during the war years. These gains were mostly made at the expense of competitive enterprise. More than 500,000 small business concerns were eliminated from the market during the war years. The further concentration of control of manufacturing facilities, industrial know-how and financial strength was accentuated by the necessary distribution of prime government war contracts to large concerns. There has been some resurgence of small business in the first post-war year, but there were still some 160,000 fewer businesses operating at the beginning of 1946 than in 1941.

The 250 largest corporations in this country now hold approximately two-thirds of the nation's usable manufacturing facilities. This group alone either owns or is in a position to control facilities equivalent to those of all manufacturing corporations in 1939. Sixty-three large manufacturing corporations have sufficient liquid assets to buy all government-owned manufacturing facilities or to purchase the assets of some 70,000 smaller manufacturing corporations.

How did this come about? To meet the requirements of the Army and Navy for goods of every description the government turned to the most powerful business organizations. This development was unavoidable, not only because these organizations possessed advantages in capital, patents and experience, but also because the Administration quite often drew its personnel for wartime procurement and economic direction from the staffs of the leading business enterprises. It was natural to find a tendency among them to rely heavily upon the great industrial systems with which they were familiar and in which they had confidence. Accordingly, as the government poured billions of dollars into additional production facilities, the big companies tended to get bigger while small companies, despite earnest efforts through sub-contracting arrangements and otherwise, tended to lose ground.

Moreover, the government consciously substituted a policy of controlled economy for the peacetime policy of competition. This was essential, as a temporary measure, because of the huge demands of the war machine and the scarcities in consumer goods which those demands created. Priorities, allocations and price control replaced the competitive struggle for materials and markets. Whole industries were permitted to enter into relations and understandings which would have been illegal but for the special wartime exemptions from antitrust prosecution.

### Restoring Free Competition

One of the major obstacles now confronting the Antitrust Division of the Department of Justice in its effort to restore and maintain free, competitive enterprise is the persistence of patterns of thinking fostered by these wartime emergency measures. We are confronted with the task of reconverting a managed economy to a free economy. A transportation industry which enjoyed during the war a license under War Production Board Certificate No. 44 to fix rates and agree on services through rate conferences and bureaus resisted the termination of this license and sought to make it permanent by legislation. Patent pooling arrangements authorized

during the war in the petroleum, synthetic rubber and other fields found such favor with elements in industry fearful of vigorous competition in research that great pressure was brought to bear for the prolongation of these pooling devices. Other industries seek to continue the non-competitive habits which were fostered by the war emergency.

What do we need to stop the march of monopoly? There are two basic requirements: one of policy and one of practice. First, we need a coordinated, unified, governmental policy running throughout every agency of the government which deals with business, designed at once to curb monopoly and to lend the full support of the vast resources of our government to aid free, independent, competitive businessmen.

Antitrust policies should guide every government agency administering policies that affect business. For example, government procurement officials should wherever possible award government purchase contracts so as to encourage competitive business. Those who control government lending policies should always be certain that government funds are not used to further or assist the growth of monopoly.

The second great requirement is to apply our policy against monopoly by the regular appropriation of sufficient money to enforce the antitrust laws. The Antitrust Division receives over 650 written complaints each year; over three new complaints each working day. It institutes about 50 cases a year. What becomes of the other 600 complaints? Are they all unfounded? No. We do our best, but the fact remains that we have insufficient funds to investigate adequately the majority of these complaints.

Many businessmen, of course, have a feeling that the United States Government should protect them from monopolies. We are doing what we can. We shall continue to do what we can. But I must be frank. The resources of your government available for antitrust enforcement in any one year since the passage of the Sherman Act in 1890 have been less than the sum of money expended by one corporation to defend one antitrust suit. In the Hartford-Empire case there were eight major defendant corporations. One of these corporations expended approximately \$900,000 in the trial of the case in the district court and an estimated \$500,000 or more in prosecuting its appeal to the Supreme Court and in the settlement of the final decree. The expenditures of the other seven defendant corporations in that case are not known exactly, but they exceeded \$1,000,000. These sums should be viewed in the light of the fact that the entire appropriation of the Antitrust Division for each of the years since its establishment, except for the year 1942, has been less than \$2,000,000.

Both the government and the public willingly expend many millions of dollars to conserve the fertility of the soil. No one questions the necessity of protecting our fundamental natural resources. Is it not equally obvious that the fundamental social resource in the American economy—freedom of opportunity—merits as much consideration? If we treasure the American free enterprise system from the same standpoint that we treasure the nation's soil resources, it is at once apparent that neglect in either case can have irreparable consequences.

We are told that we must balance the budget. We must reduce the Federal debt. I agree. But of what use is a balanced budget and a reduced Federal debt if

they are accomplished at the cost of losing free enterprise and the American way of life? Such economy would be false economy.

As Attorney General Clark has stated, the effectiveness of antitrust enforcement is in direct proportion to the funds available. The failure to enforce the antitrust laws adequately is much more costly to taxpayers than the cost of an adequate program. For the fiscal years 1940 through 1946 antitrust appropriations totaled \$12,030,600. Fines assessed during the same period in suits brought under the antitrust laws totaled \$5,902,979.03. Thus, antitrust fines alone amounted to almost half the funds appropriated. It is not possible to estimate in all cases the enormous savings to the consumer resulting from the fact that competition was restored and maintained in many important industries.

But in some instances we do have direct, positive evidence of savings derived from antitrust prosecutions. For example, the direct saving on a single contract in Pittsburgh, because of an antitrust investigation, amounted to 85% of our annual appropriation. As a result of one other major antitrust suit, royalties were reduced in one industry by 50% and the saving to the consumers each year as a result of that action exceeds \$4,000,000, or more than twice the annual appropriation for the Antitrust Division.

### Antitrust Accomplishments

The accomplishments of the Antitrust Division on a budget of less than \$2,000,000 per year provide an effective sample of what could be accomplished if more adequate funds were made available.

I have already mentioned the Hartford-Empire case involving the glass container, or bottle, monopoly and the many millions of dollars the defendants expended in vain efforts to prevent the government from obtaining an effective decree. I am happy to report that they were not successful. As a result of the judgment, housewives do not longer have to depend upon Corning Glass alone for heat-resistant ovenware. Moreover, the defendants who owned patents dominating the industry were ordered to license those patents to any applicant. As a result, today anyone is free to make glassware. Think of it! In this free country, until the government won this case, not one of you could have entered the glass bottle manufacturing industry unless the defendants had given their permission. And for 25 years the permission was never granted to a newcomer. Today the industry is open to all. As a matter of fact, here in Chicago at the present time there is a glass plant which the Court has ordered the Owens-Illinois Glass Company to sell to any applicant at its fair appraised value. Such opportunities should be especially appealing to progressive industrialists.

Another example is the case brought in 1942 against Standard Oil Company of New Jersey. The complaint charged that the Standard Oil group had conspired with I. G. Farben, the great German chemical trust, to restrain trade throughout the world in oil and chemical products. The defendant entered into a consent decree requiring it to issue unrestricted licenses royalty free during the war, and thereafter at reasonable royalties, under several thousand patents covering such important processes as those used in the manufacture of synthetic rubber.

We have recently won a very important legal victory which will considerably strengthen the government's hand in future antitrust actions against monopolies. I refer to the tobacco case decided last spring by the U. S. Supreme

Court. The decision of the Supreme Court sustained the convictions of the leading tobacco companies and their principal officers for monopolizing in violation of Section 2 of that Act. The economic objectives of this case were to outlaw the evils of price-fixing in the leaf markets for over a million farmers and to condemn the evils of dictatorship of prices and selling methods of over a million wholesalers and retailers. However, I want to talk to you briefly about the legal principle involved in this case.

As a result of the decision it is now clear that possession of power plus the intent to exclude competitors is illegal under the monopoly section even though the power to exclude is not actually exercised. Some previous Supreme Court decisions had thrown doubt on this principle, which is now settled by unanimous decision. As a result, the Department of Justice need not now be deterred from instituting actions against monopolies merely because monopoly power over the market has not been actually exercised. A defense commonly heard in antitrust cases is that the monopoly position was "thrust upon" an industry but that the power of the monopoly had never actually been exercised against competitors. The tobacco case should eliminate that defense in all future antitrust cases.

These are examples of major antitrust suits each costing the government many hundreds of thousands of dollars to prosecute to a successful conclusion. I contend that the results were well worth the money. But antitrust enforcement is not always costly. We have within the past year been successful in preventing corporate mergers without the necessity of resorting to litigation. Had the Department of Justice not questioned the legality of these mergers, the concentration in the industries involved would have been greatly accelerated. The corporate merger is the classic means of stifling competition and increasing concentration of economic power. The great trusts of 40 and 50 years ago which evoked Theodore Roosevelt's trust-busting campaign were formed through mergers.

### Influence of Financial Groups and Investment Bankers

In considering the monopoly problems raised by the increasing number of mergers, we must not overlook the influence of financial groups and investment bankers on competition in American industry. These bankers are primarily interested in the sale of securities. These sales are their principal source of income. Consequently, it is natural for them to seek every opportunity to stimulate new security issues. Since these bankers also act as financial advisers to the companies which issue the securities they sell, they are in a strategic and powerful position to create the business they seek.

Mergers and consolidations are among the most prolific sources of new security issues. Two or three companies, each of them too small or too closely held to be a source of security-selling business, when combined can become the base for the flotation of a substantial stock or bond issue. In a great many instances investment bankers have been most instrumental in combining two or more competitors in an industry into a single company.

The financial advantage which accrues to the investment banker from frequent mergers is not accompanied by the advantage of lower prices or better products for the consumer. In many instances there is no technological gain as a result of the combination of the various companies. In some cases the elimination of competition

among these companies has retarded technological development.

If given adequate funds, we propose to examine every corporate merger of significance. Where these mergers appear to eliminate competition, we propose to warn the corporations involved that if they take further steps to effectuate the merger we shall file suit under the antitrust laws.

### What Businessmen Can Do

I now come to the question, what can businessmen do about monopoly? We in the Antitrust Division are helpless without your support. That is as it should be in a democratic society. No government can or should adopt any long-term policy that does not have the support of the majority of the voters.

But if you, the people, are to succeed in your fight against monopoly you must insist upon making your voice heard.

There is nothing partisan about an anti-monopoly policy. Ever since the passage of the Sherman Act in 1890 both political parties have professed adherence to its basic principles. Practically every political platform of both the major parties since 1890 has contained a declaration for strict enforcement of the antitrust laws. This has been true of the Republican party as well as the Democratic party. For example, way back in 1900, the Republican platform declared: "We condemn all conspiracies and combinations intended to restrict business, to create monopolies, to limit production, or to control prices and favor such legislation as will effectively restrain and prevent all such abuses, protect and promote competition, and secure the rights of producers, laborers and all who are engaged in industry and commerce."

The preceding year President McKinley in his annual message to Congress had said: "It is universally conceded that combinations which engross or control the market of any particular kind of merchandise . . . by suppressing natural and ordinary competition, whereby prices are unduly enhanced to the general consumer, are obnoxious not only to the common law but also to the public welfare. . . . Whatever power the Congress possesses over this most important subject should be promptly ascertained and asserted."

Notwithstanding President McKinley's warning, the concern of both the Republican and Democratic platforms of 1900 for free enterprise, only three antitrust prosecutions were started during the period when McKinley was President—one against a local livestock association and the other two against coal associations of no great importance. Yet it has been estimated that between Jan. 1, 1898, and Jan. 1, 1904, 236 industrial combinations were launched with an aggregate capitalization of \$6,000,000,000.

Forty years later, in their 1944 campaign platforms, we find the Republican party still pledging antitrust enforcement on the grounds that "monopolies and monopolistic prices threaten the very existence of the free enterprise system."

I think this reference to history has its importance today. For more than 40 years each political party rendered continuous homage to the principles of the Sherman Act, and yet in practical economic effect during that period the law was a dead letter. I think that today we are paying the price of our failure to make effective the principles of the Sherman Act. Someone has said that the only thing that history has proved is that we don't learn anything from history. I surely hope in this case, at least, that is wrong.

The real source of the threat to free enterprise, about which the Republican leaders are so concerned, lies in monopolistic control over our great industries. If

we really believe what we constantly say about the necessity of preserving free enterprise, then the time to act on those affirmations of belief is now. The fight to maintain free, competitive enterprise should transcend purely partisan or political considerations. Now is the time when you must demand and require that our Government continue to act decisively and effectively to prevent the further spread of concentration of economic power. You must demand that the channels of free, competitive enterprise be kept open for small business.

In these times of strife between labor and capital, we hear insistent demands for curbs upon the power and activities of labor unions. I recognize, as many must, that certain labor union abuses have created a serious problem. Some new legislation may be necessary to assist in solving the problem. But unless we decide to appropriate sufficient funds to enforce the antitrust laws against business monopoly, we should not expect to impose new restraints upon labor. The twin demands, "hands off business" and "curb labor" have long been the heart of the anti-democratic program of those who favor the corporate

state. To say that labor unions shall be restrained while the march of monopoly is allowed to continue will result in the abandonment of industrial democracy. If industrial democracy is permitted to perish our proud heritage of political freedom cannot survive.

The future of enterprise is in many respects the major economic issue of our age. In most of the world today we are witnessing the disappearance of free enterprise in the aftermath of war and economic crisis. Because this country is the industrial leader of the world, because its institutions are still free, and because its natural and human resources are vigorous, we still have the luxury of choice between economic freedom and a system of control. It is sheer delusion to believe that we can tolerate regimentation by monopoly without in time necessitating regimentation by government. If we forsake the principles upon which economic freedom rests by failing to apply them, freedom will forsake us. There is no question as to which way freedom lies. The danger is that in the affairs of men it is always later than we think.

expanded as private building programs slacken.

This is the final report of the Colmer Committee, but a supplement relating to European economic reconstruction will be released before the end of the year. As was the case with the previous ten reports, this is a unanimous report of the bi-partisan committee.

The Committee does not recommend that it be continued in the next Congress but strongly urges that a permanent committee on economic policy be established to continue the type of work of the special committee, or that the functions of the Joint Committee on the Economic Report of the President be broadened to cover all phases of economic policy. The prime purpose of the permanent committee would be to assist in planning action designed to reduce the wide cyclical swings of business which the Committee termed one of the most important economic problems now facing the country.

Besides Chairman Colmer, the Committee included Jere Cooper (D-Tenn.), Francis E. Walter (D-Pa.), Orville Zimmerman (D-Mo.), Jerry Voorhis (D-Cal.), John R. Murdock (D-Ariz.), Walter A. Lynch (D-N. Y.), Thomas J. O'Brien (D-Ill.), John E. Fogarty (D-R. I.), Eugene Worley (D-Tex.), Charles L. Gifford (R-Mass.), Richard J. Welch (R-Cal.), Charles A. Wolverton (R-N. J.), Clifford R. Hope (R-Kan.), Jesse P. Wolcott (R-Mich.), Jay LeFever (R-N. Y.), and Sid Simpson (R-Ill.).

Additional conclusions or recommendations of the Committee included the following:

**Production:** "The upward pressure on prices has been increased by sharp increases in wage rates. Low production in many industries caused by work stoppages, delays in deliveries, high turnover and other factors have prevented the output per worker from offsetting the effects of these wage increases. The problems which the economy ever faces can only be solved by increased production per man-hour, which would both reduce costs and increase supplies."

**Contract Termination:** "The objectives set by Congress . . . have been reached. One year after V-J Day the contract settlement and plant clearance jobs have been practically completed."

**Surplus Property:** "Progress in the disposal of war surpluses has been disappointing . . . Congress must accept the full responsibility for the unsound provisions embodied in surplus property disposal legislation, and in great part for the delays caused by the priorities and preferences granted under it."

The Committee proposed that the general powers of OPA be ended next Jan. 31; that the Second War Powers Act be allowed to lapse next March 31, subject to the necessity for new legislation, granting narrowly specified powers to be determined by Congress, to protect certain short commodities and export and import controls. Continuation of general fiscal and monetary controls was advocated as the best safeguard against inflationary pressures and as "more effective in the long run than any administrative controls."

The Committee suggested "the continuation of a Presidential agency"—such as the Office of War Mobilization and Reconversion—to act as "a sort of over-all general staff to coordinate the formulation and execution of policy."

Other leading committee recommendations included proposals that the Surplus Property Act of 1944 be simplified to speed disposal of war goods; that unemployment compensation coverage be broadened; that old-age insurance be extended to cover about 12 million persons now excluded; that public construction be limited to new projects of immediate necessity, and that plans be prepared for work which could be

amount and duration. The Committee recommends that the other States take similar action and that the coverage be extended, especially to employees of small firms."

**Public Works:** Machinery should be set up to coordinate the construction policies of Federal, state and local governments and private industry. Good progress has been made in the preparation of drawings and specifications. The plans are completed for projects amounting to slightly less than two billion dollars. Should there be a recession in the next year or two, however, the volume of planning, now ready, or assured of completion will be far short of what is needed. The Committee, therefore, recommends that the balance of the one hundred fifty million dollars originally recommended be appropriated for this purpose.

**Federal Budget:** "It forebodes danger for the future if under the present very favorable conditions of high income and high tax rates, the fiscal affairs of the Government cannot be handled in such a way that the budget can be balanced. The Committee feels that expenditures for the fiscal year ending June 30, 1948, can be reduced to thirty billion dollars without interfering with national defense and the normal functions

of the Government, and that a further substantial reduction can be made during the following year."

**Taxes:** "It is necessary to develop a tax system which will raise the necessary revenue and still distribute the tax burden in a manner that will provide adequate incentives for venture capital, creative effort and business growth and also permit expansion in consumer demand. The personal income tax should be regarded as the main reliance for Federal tax revenues and . . . should be continued on a broad base."

**Finance:** Bond saving and buying campaigns should be "vigorously promoted" to counteract inflationary forces.

**Agriculture:** "The Committee reiterates the recommendations of its previous report with respect to developing the maximum degree of freedom in international exchange of goods and services and of improving public service to agriculture. . . . Wide publicity regarding the present situation in land values and the consequences of previous similar developments should be used to induce farmers not to extend themselves unwisely."

## Colmer Committee Sees No Need For Depression

(Continued from page 3221)

tive studies into the industrial, agricultural and commercial structure of the United States. It also visited Europe to study economic conditions and international trade.

### Depression Held Unnecessary

"Considering everything," the report emphasized, "the Committee feels that there is no necessity for either a depression or recession . . . Loose talk of depressions and business recessions is unjustified and serves no good purpose."

Although finding the country in a basically sound economic status, the Committee warned that the causes of low production in many industries must be erased and "another wage-price spiral avoided" if prosperous conditions are to continue.

"A start has been made toward the goal of sustained high employment," the report stated. "The task ahead is to develop economic conditions which will encourage stability of productive employment at a high level."

The Committee cautioned, however, that the government "cannot and should not take full responsibility for maintaining economic stability or full employment."

"Such a government," the report added, "could neither accomplish its purpose nor remain a democracy. We were able to mobilize our economy for war only by surrendering temporarily the basic democratic freedoms which we were fighting the war to preserve."

"We should not be misled by those who urge that we can equally well 'mobilize' for full employment in peacetime. To do so would be to accept totalitarianism—which we fought to prevent having imposed upon us."

### Budget Surplus Stressed

The Committee, vigorously advocating a balanced Federal budget, recommended that expenditures for the fiscal year ending June 30, 1948, be reduced to 30 billion dollars. This, the group added, should make possible the creation of a "substantial surplus," and would also allow for "some reduction" in Federal taxes.

### Housing Recommendations

Discussing housing difficulties, the Committee recommended

## Two Groups Offer Bonds and Stock of Kansas City Power & Light

Two underwriting syndicates, one headed by Halsey, Stuart & Co., Inc., and the other by The First Boston Corp. placed on the market Dec. 13 senior securities of the company amounting to \$46,000,000 in par value. Consisting of \$36,000,000 of 30-year first mortgage bonds and 100,000 shares (\$100 par) 3 3/4% cumulative preferred stock, the offerings will accomplish a refinancing operation, intended

income was \$4,106,007. For the twelve months ended Aug. 31, 1946 total operating revenues were \$23,846,592 and gross income was \$5,615,087.

## Kuhn Loeb & Co Places Equip. Issue Privately

General American Transportation Corp. announced Dec. 18 the sale of \$8,000,000 of equipment trust certificates, Series 41, to a small group of institutions through Kuhn, Loeb & Co. The certificates will mature serially in equal quarterly installments to and including Dec. 16, 1966. Maturities to and including Dec. 16, 1955, bear dividends at the rate of 1 3/4%, and the other maturities 2 3/4%. The equipment covered by the trust consists of 1,445 freight cars, estimated to cost \$8,900,000.

## J. J. Cronin Now With Shearson, Hammill Co.

Shearson, Hammill & Co., 14 Wall Street, New York City, New York Stock Exchange members, announce that John J. Cronin, Jr., recently resigned from Tucker, Anthony & Co., has become associated with the firm. Mr. Cronin, prior to his war service as a Navy Commander, was associated with L. F. Rothschild & Co.

## Two With Marxer & Co.

(Special to THE FINANCIAL CHRONICLE)  
DETROIT, MICH.—Lorne L. Clemens and Calvin R. Vogt have become affiliated with Marxer & Company, Penobscot Building, members of the Detroit Stock Exchange.

## Walter F. Norris Is With Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)  
LOS ANGELES, CALIF.—Walter F. Norris has become associated with Harris, Upham & Co., 523 West Sixth Street.

## Municipal News and Notes

The performance of the municipal bond market in the past fortnight, particularly in the retailing of the singularly large emissions offered in that period, was of such an impressive nature as to convince even the most pessimistic that the market for tax-exempts has far from disappeared. In practically every instance, underwriters were able to achieve marked success in the distribution of their offerings, with the results in some cases, notably the \$46,000,000 Pennsylvania Turnpike Commission issue, being nothing less than spectacular.

The turnpike loan, awarded on Tuesday to an investment banking group headed by Drexel & Co., B. J. Van Ingen & Co., Inc., and Blyth & Co., Inc., proved to be one of the fastest movers in a long time. Re-offered at a price of 102.50, affording a yield of about 2.38% to maturity, the bonds were eagerly sought after by investors, with the result that the underwriters announced late on the day of the award that the issue was all sold and the syndicate books closed.

A feature of the operation, the largest revenue undertaking in about a year, was the appearance of three bidding groups in the competition at the sale. This was noteworthy considering the size of the project alone, and in light of the fact that, with the exception already noted, the municipal market has been considerably less than dynamic for many months.

The winning Drexel account bid of 100.9399 for 2½s, incidentally, materially bettered terms specified by the also rans, both of which specified a 2.60% coupon. A group headed by Shields & Co., and Alex. Brown & Sons, was second in the running, naming a price of 100.70, while the final offer of 100.15 was entered in behalf of Kuhn, Loeb & Co., Glore, Forgan & Co., and Lazard Frères & Co., and associates.

Proceeds of the financing will be employed by the Commission in the redemption of \$42,300,000 of outstanding 3½s and for other purposes. While the outstanding bonds are not redeemable until Aug. 1, 1947, holders may present them for immediate payment at the full redemption price plus accrued interest to the call date.

The new issue of \$46,000,000 2½s has a maturity date of 1976, and are subject to optional redemption, in whole or in part, not earlier than Dec. 1, 1951.

The highly successful turnpike financing was preceded by a number of equally impressive operations, all of which served to generate considerable enthusiasm among the municipal fraternity. Mention should be made, for example, of the excellent results which attended such previous ventures as those of the Chicago Sanitary District and Los Angeles School Districts, both of which followed in the wake of the Baltimore success.

The Chicago issue, awarded to a syndicate headed by Halsey, Stuart & Co., Inc., and Harriman Ripley & Co., Inc., proved exceedingly popular with investors, as indicated in the fact that more than 85% of the issue had been placed by the syndicate within three hours of the formal offering.

The bonds, due in 1966 and callable serially from 1949 to 1963, were scaled to yield from 1% to 2% for the 1949-1962 optional maturities; at a dollar price of 99.75 for 1963-1964, and 99.50 for both the 1965 and the non-optional 1966 maturity. This level, incidentally, contrasts with the 0.55% to 1.25%

scale at which a district issue of comparable maturity and optional dates was offered last March.

A feature of the current financing, and one that has been in increasing evidence lately, was the closeness of bidding for the loan. Thus the successful bid of 100.155 for 2s, or a net cost of 1.9918%, provided a cover of only 7.1 cents per bond over the second high tender of 100.1479 for 2s.

No less successful than the Chicago District undertaking was the \$13,500,000 Los Angeles School District financing, which was handled by an account headed by Harriman Ripley & Co., Inc., and Halsey, Stuart & Co. Inc.

Here again the underwriters established a price scale which proved irresistible to portfolio managers and the results more than justified their decision. True enough, the yields were considerably more generous than those available on both comparable and even less favorable credits.

However, the account managers obviously and wisely decided to acknowledge the unwillingness of buyers to pay no more than passing interest to list quotations. In short, they were more interested in distributing their wares, rather than to acquire a gilt-edged inventory.

Right in step with the tempo established by its larger counterparts were the results obtained by the underwriters of the \$1,850,000 Euclid City School District, Ohio, 2¾% bonds, due Dec. 1, 1948-1970. This issue literally went out the window, a result the more spectacular in view of the fact that only one bid was received by the district.

The offer, a price of 100.25, was made by a syndicate managed by McDonald & Co., of Cleveland, which re-offered the bonds to yield from 1% to 2.75% and immediately discovered that they had acquired an exceptionally fast-moving piece of business.

### Tripp & Co. Compare Revenue Bond Data

A valuable and greatly needed addition to the altogether too scarce centralized reference material on the subject of public revenue bonds has just been published by Tripp & Co., 40 Wall St., New York City. Labeled a "Handbook of Public Revenue Bonds—Part 1—Highway and Toll Bridge Bonds," the publication presents a detailed case history, including statistical data, of 33 major revenue bond projects with outstanding indebtedness of close to \$500,000,000.

Needless to say, the publication should prove of inestimable value to dealers and investors, not to mention public officials, as it treats in detail a form of financing which bids fair to assume increasing importance.

In order to keep the subject matter current, supplements devoted to large scale new projects and refunding operations are expected to be issued.

Necessarily, publication of the booklet entailed considerable expense and it is being offered by Tripp & Co., at a price of \$7.50 per single copy and additional copies may be obtained at \$5 each.

### With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Jack L. Bruckner and W. Johnston King have become affiliated with Merrill Lynch, Pierce, Fenner & Beane, Liberty Life Building.

## Capital Goods for Consumers

(Continued from page 3214)  
household goods such as furniture, floor coverings, refrigerators, washing machines, sewing machines, cooking equipment, portable heating equipment and miscellaneous electrical appliances other than radios. Transportation equipment ranked second, although it included both automobiles and parts, accessories and tires bought separately from the cars themselves. Almost equal in size were the other two groups—jewelry and watches and pianos, radios and other musical instruments. In the aggregate these four groups amounted to 22.8 billion dollars in 1940 and to 25.4 billion deflated dollars or 32.4 billion current dollars in 1943.

Now one can well say many things about these huge pools of consumer capital. I shall not try to cover them all. I shall merely pull together a few thoughts they bring to mind that seem to me appropriate in a series of meetings concerned with the influence of consumer credit, and more particularly of instalment credit, upon the economy. Because our allotted time is short, I shall have to risk sounding a bit dogmatic in order to offer a maximum of conclusion and a minimum of supporting evidence. For the supporting argument I shall have to refer you to the longer study I hope to have ready for publication shortly.

First, then, I feel that we have given grossly inadequate attention to this accumulation of consumer capital as a factor determining the real income—the flow of satisfactions—consumers derive from the economy each year. Our statistics of production, income, expenditures, and the like, come from records of monetary transactions in the markets. Although in theory we know better, in practice we have tended to be satisfied with records of amounts manufactured and distributed as measures of the benefits accruing to consumers from the production of durables. In fact, however, the amount of, say, transportation, refrigeration or radio entertainment consumers derive from any one year's output of the necessary equipment represents a small percentage of the service they obtain from the entire stock available to them. This is true even in years of large production. The size and distribution of the entire stock, not the addition made to it during any one year, determine the level of living consumers attain in these areas.

Second, there is some reason to believe that such factors as income and instalment credit have less influence upon output and consumer purchases of durables in any year than does the size of the accumulated stock. The relationships among these various factors remain almost entirely unexplored. In the absence of adequate statistical research, one must therefore fall back upon informed guesses that make due allowances for the existing stock. Thus it seems reasonable to suppose that the standard of living to which consumers aspire, in so far as durable goods are concerned, is reflected in the stock they accumulate and maintain. The size of that stock in turn reflects judgments concerning amounts and uses of income extending over periods of several years. Within any one year, a high level of income permits additions to the stock without proportionate increases in the immediate flow of satisfactions the stock affords. Similarly, in a year of low income the stock makes possible a retrenchment of expenditure without a proportionate reduction in the flow of satisfactions. The great violence of fluctuations in the production of durables can undoubtedly be traced in considerable part to these circumstances. To what ex-

tent these fluctuations are a cause and to what extent a consequence of the business cycle, I must leave to the determination of cycle theorists.

Third, during the period when the stock of durables is being built up, the rate of production is a combination of the rate of expansion in the stock and the rate of replacement of the existing stock. A rapid rate of accumulation and a sudden transition to replacement demand, necessarily entail a shock to the producing industries and to the economy as a whole. Should this coincide with a shift by consumers from increasing their stock to drawing upon it as an offset to reductions of income, the shock may be very severe indeed.

In mathematical theory, given the amount of stock of any durable the economy wants to maintain and the life span of the goods, industry could readily establish a rate of production equivalent to the eventual rate of replacement in a saturated and stable market. By operating at that rate from the outset, it could achieve a smooth transition from the growing to the saturated market. In return it would have to pay the price of taking whatever number of years the formula required to achieve the desired stock.

In practice, of course, all this is just a dream. Who in 1900 or 1910 could have computed the number, variety and distribution of automobiles American consumers would want in 1920 or 1930? How nearly could he have come to estimating the life span of the cars to be manufactured years later? For that matter, even now when we know so much about the automobile and the social changes it has wrought, who can confidently make such predictions for 1950? Who can make similar prophecies for the multitude of durables other than automobiles?

Fourth, regulation of instalment terms in the sale of durables is a very weak instrument for the control of these fluctuations. Effective elimination of these fluctuations means making some consumers wait, possibly for years, to get the durables they want and rationing what is available among insistent claimants. It means cutting the top off booms in production and allocating restricted output among individual producers. It entails finding effective ways to stimulate producers and consumers when they fear the future. Whether the people of this country will in fact accept such controls, I venture to doubt in the light of their recent rebellion against wartime controls. Whether, even if the people prove amenable, the government has effective instruments for the purpose, I venture to doubt in the light of some years of experience in Washington. Certainly, control over instalment terms alone cannot even begin to do the job.

Fifth, care must be taken to differentiate the effects of instalment credit itself from those due to the nature of durable goods and to the fact that consumers must accumulate a stock of such goods in order to enjoy the satisfactions they provide. It seems to me that instalment buying as such has one principal effect. As compared with so-called cash sales it advances in time the sequence of steps through which the stock of durables is produced, distributed and accumulated. The cash buyer withholds expenditures until he has accumulated the price, which he then spends in a lump; whereas the instalment buyer borrows his lump price, spends it immediately, then withholds expenditures while he pays the debt. Both plans involve an alternation of lump expenditures with periods of saving or withholding. The essential difference between them is that goods sold on instalments move through

the successive phases of their long cycle of production, distribution and consumption a few months ahead of the goods sold for cash.

We do not have time here to go through the intricate analysis necessary to determine the probable influence upon economic fluctuations of this and other differences between cash and instalment buying. I must content myself with saying somewhat dogmatically that in my opinion the effects of instalment buying as such are by no means so simple and direct as is sometimes assumed; that differences in the effects of instalment buying and cash buying of durables are less than is sometimes assumed; that analysts of this problem are not always as careful as they should be to differentiate between periods when the instalment system is being built up or expanded to new areas and those in which it has become mature; and that in a mature instalment system fluctuations in instalment purchases are more likely to reflect than to cause the business cycle.

Sixth, it is necessary to avoid confusing the effects of the factors we have considered, i. e., durability, the accumulation of a large stock and instalment buying, with the effects of monetary policies that result in additions to or deductions from the flow of purchasing power in the economic system. Instalment buying can take place on a large scale without the creation of large new amounts of money. Correspondingly, large cash buying of durables may merely reflect an inflation of incomes by the injection of new purchasing power at some other point in the system. Direct control over instalment buying, even if it be more effective than anything modelled on Regulation W is ever likely to be, will not control the real inflationary and deflationary forces involved. It is more likely to be simply a system of rationing some part of the purchasing power the monetary authorities choose to feed into or keep in the system. Really effective control over the inflationary and deflationary effects of credit must be imposed at other levels and in other areas of the economy.

Perhaps I should add that if, despite all the objections that have been expressed against it, some sort of control is to be put specifically upon the credit flowing to consumers under the instalment system, it would be well to impose it somewhat earlier in the proceedings than at the point of final sale to consumers. Most of the value embodied in durables has been accumulated before the consumer sees them. If he buys on instalments, the credit he receives may be not a net addition to the credit structure but a mere offset to credit granted producers and distributors earlier in the chain. Imposing a check that operates only after goods have been manufactured and brought to market is clumsy and of uncertain effect at best. If it also fails to stop inflationary injections of credit at the points where they are made, it must become intolerable.

Seventh, an unsolved problem concerning durables is the extent to which they have introduced a more or less permanent element of instability because of the so-called cycle of replacement demand. It is sometimes said that great fluctuations from year to year in the output of these goods will be reflected in the future as goods wear out and are replaced. The conclusion holds in any precise form only if durables have a definite and unvarying life in use. Experience during the war, when so many durables were cut out of production entirely but the stock in use dropped surprisingly little, precludes acceptance of any such rigid premise. The period of use can be stretched substantially if necessary. Similarly it can be cut

short at any time. It seems reasonable to believe that variations in the choices made by individuals as to replacement dates will in time eliminate any replacement cycle originally present.

Eighth and last, I should like to comment on the relations between what has been well called the life cycle of the family and its need for taking possession of durables at particular times. These matters need much more detailed study than they have thus far received. The nature and strength of the pressures that make so many consumers willing to pay carrying charges or price differentials for immediate delivery and the nature and weight of the sacrifices they must make if they postpone consumption while they save to pay cash or if they simply do without durables, need further analysis. Only if we understand these can we understand the social significance of instalment buying, the degree of rationality shown by

consumers in using the instalment system, and the weight of the burden imposed upon them when they are deprived of the instalment privilege. One may assume that the need for many (perhaps most) durables becomes acute as the consumer and his family reach particular points in their life cycles. Waiting to get the goods later may entail a severe sacrifice. Conceivably it can mean sacrificing the satisfaction for all time. It can mean sacrificing output for all time, too. We hear much of deferred demand nowadays. Much of it is not deferred but disappeared. A family can't go back to where it was. Even if it can defer its demand for some good, it does not pick up where it left off. It has simply not consumed something over a period of months or years, and the production that would have permitted consumption during that period is gone for good.

## Profits Without Responsibility: An Answer to Mr. Nathan

(Continued from page 3224)

more is produced more is available for consumption. In the absence of any general increase in production, a second round of wage increases promises to price us out of the market, domestic and foreign.

### Labor Productivity Unfavorable

The reports from industry concerning labor productivity are for the most part unfavorable. The National Industrial Conference Board findings, those by Charles R. Walker in "Fortune" Magazine, the Report in "Mill and Factory" Magazine and the study issued by the United States Bureau of Labor Statistics all serve to show a marked decline in general productivity. Even labor union executives acknowledge the need for revising the trend toward lower productivity.

American Federation of Labor President William Green, writing in Labor's Monthly Survey, recently states: "Wage-earners can best stabilize their wage dollars by helping to increase volume of production." The survey also stated that productivity in war plants increased 61% in less than four years during the war, but that productivity in civilian industries rose less than 2%. Even the latter small gain has undoubtedly been more than wiped out in recent months.

### Pegging Wages on Falling Production

This attempt to peg wages on a falling standard of production is no cure for the evil, nor will it provide the sustained purchasing power required to prevent a fatal boom and bust. The CIO in seeking to force this new increase in wages in the mass production industries is exaggerating the possibilities of all industry; is discouraging the application of the remedy to the evil.

We have further to take into account the use by CIO in its findings of an outworn yardstick of efficiency, one that accounts alone for output per man-hour. Such a yardstick makes it impossible fairly to distinguish between what constitutes upkeep and profits. The inadequacy of this yardstick was discussed at the recent Washington Conference sponsored by the Bureau of Labor Statistics and the Bureau of the Budget. It was pointed out that output per man-hour fails to account for such important variables as capital investment and horsepower.

In other words, industry as a whole lacks an adequate measure of capital-labor efficiency; lacks a representative measure of cost, a price-floor or point of reference

for the adjustment of wages, mortgage-interest-rates, values, taxes, insurance, dividends to actual earning power. The means for readjustment was lacking after the 1929 depression. In the absence of any definite tie-up between the amount of wage increase and the percentage of increase in efficiency, it is lacking today. By placing a premium on inefficiency and waste the CIO program is an invitation to bankruptcy.

In the absence of an adequate measure of capital-labor efficiency, industry is powerless to get rid of wasteful overhead and bring efficient plants into full-time operation; is powerless to substitute advance by stages for advance by surges; is powerless to make any clear cut distinction between efficient and inefficient plants.

The CIO claims that in its negotiations, the unions are entitled to have the fact of a business, its profits, its dividends, its price schedules and how they are formulated, and like information, before there can be a determination of wages.

This would give labor a sort of partnership in business and industry, with labor sharing through a maximum wage in the profits of industry before the goods are sold or the cost of production is met. CIO is, in so many words, demanding the right to share profits without assuming any responsibility for the balancing of supply and demand.

You and I may agree that labor is entitled to share in the results of increased production, in the profits of industry, but the free enterprise cannot hope to carry on by continuing to pay out profits to capital or labor before they are realized; through continuing to employ a yardstick of capital-labor efficiency suited to an agricultural society.

We can only hope to make increased production a point, a partnership undertaking as capital and labor accept joint responsibility for upkeep through accepting a bare wage return in place of maximum wages and profits; through their agreeing to share income on a pre-determined basis; through their agreeing to delay the division of income until it is realized.

### Two With Walters Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Paul C. Buetow and Frank S. Fuhr have become associated with William Walters Securities Co., 3923 West Sixth Street.

## Attacks Federal Reserve Credit And Margin Controls

(Continued from page 3211)

average worker just cannot afford a charge account. If he is to obtain these goods at all he must obtain them on the instalment plan. The average citizens have always made up the great consumer market of America. They do today. Yet they are the very people the Federal Reserve Board regulations are damaging, and in damaging that group, vital injuries are inflicted upon the entire American economy. The Federal Reserve Board regulations, which give the "well-to-do" with their charge accounts the opportunity to buy whatever they need on their own terms, while denying the worker families of the country the opportunity to buy at all, is contrary to American principles of fairness. This is a discrimination which either the Federal Reserve Board itself should take action to eliminate, or which for the good of the economy of the country and the comfort of the average wage earner must be made the subject of definite action by the new Congress.

### Margin Ban Ill-Advised

Another regulation of the Federal Reserve Board which continuously hampers reconversion is that which bars the purchase of listed stocks on margin. As early as November, 1945 I made a protest to Chairman Marriner Eccles of the Federal Reserve Board against the 100% margin regulation. The protest was justified at the time. Subsequent events and conditions have substantiated that protest and have made it clear that Eccles' refusal to act at that time was ill-advised. The Board continues to claim that this regulation is designed to avoid speculation. The fact of the matter is that while the regulation bars the purchase of listed stocks on margin, it condones the purchase of stocks which are known throughout the country to be almost wholly speculative. The truth of that assertion is found in the fact that the regulation does not bar buying on margin over-the-

counter securities through banks. Such provisions represent a gross discrimination as between listed and unlisted securities. There is general agreement that this regulation of the Federal Reserve Board actually circumvents the law under which it was issued. Congress did not intend that under its legislative action a regulation of this kind should be issued by the Federal Reserve Board. The law itself gives the Federal Reserve Board authority to change margins only at such time as there is excessive use of credit in the stock market.

### Damaging Control

Those who are primarily responsible for the health of our national economy see in this 100% margin regulation a control just as damaging to the country's economy as those OPA controls which had the country bound down. It is not desirable to allow complete credit in stock purchases or in other words to encourage shoe-string transactions. And that is not asked. But the 100% margin should be reduced substantially to allow for the wise free flow of investment funds which are a vital part of the life blood of the American economic system.

### Fears Market Debacle

If this 100% margin regulation is allowed to stand indefinitely the effect will be even a more serious disorder in the market than was experienced a few weeks ago. Logic should require that such a control as the 100% margin regulation should definitely be included in that list of hampering controls which are being eliminated or revised to give the country a chance for expansion, production, and prosperity. If the Federal Reserve Board itself continues to refuse to recognize the damaging effect of the 100% margin regulation then this too is one of those vital subjects which must be given early attention by the new Congress.

## Protest Credit Prohibition on Listed Securities

(Continued from page 3211)

ing, listed securities has caused postponement or abandonment of productive enterprises. Continuation of the policy is not only unjust to the individual investor, but assures the existing distortion in the economy will be followed by a recession or a depression. This in turn would increase the burden of our enormous public debt and might result in that very inflation which is the purported reason for prohibiting the use of credit for purchasing listed securities.

Increased production of goods, together with a Federal budget balanced at a level within our reasonable capacity to pay, are the only reliable safeguards against inflation. Both of these safeguards are impaired by current restrictions imposed by the Federal Reserve Board. Hence, in the interest of high employment and a dynamic economy, and as an aid in the fight against inflation and deflation, the Governors of the Association of Stock Exchange Firms unanimously and urgently recommend that the Federal Reserve Board recognize that events have proved the unwisdom of existing restrictions on the use of credit for purchasing listed securities, and that such restrictions be immediately removed.

"The validity of this recom-

mandation is supported by the following specific considerations:

"A. To a large extent free credit balances at present in the hands of brokers are owned by large investors, who usually purchase for cash. Investors with average and small accounts frequently utilize credit as a legitimate and valuable instrumental for improving their financial positions, and under existing restrictions they are deprived of this assistance in their efforts to get ahead. Moreover, their inability to participate in the market, because of lack of free credit balances and current restrictions on credit, has greatly reduced funds available for absorbing securities, with unfortunate results for large and small investors alike, and for the general public as well.

"B. Markets for listed securities constitute an invaluable reservoir of liquid funds. Recent events in other markets, where liquidity is relatively smaller in ordinary times and virtually disappears in times of crisis, threw additional burdens on listed securities markets, with disturbing effects, since securities markets were already thin, partly because of restrictions on the use of credit.

"C. Control and orderly use of credit must be distinguished from abolition of credit. In view of patterns throughout the business structure which customarily involve credit, abolition of credit in listed securities markets actually resulted in loss of control over credit in other markets. Credit sprees are not desired by this Association. But prohibition of the use of credit as an essential tool of finance, at a time when credit was not being used to excess for purchasing or carrying listed securities, and rendering this tool unavailable for the benefit of the American people when it was needed to stabilize disorderly markets can not be regarded as constructive public policy."

Copies of this communication are also being sent to each member of the Board of Governors of the Federal Reserve.

The Board of Governors of the Association of Stock Exchange Firms urges your serious consideration of this resolution.

Respectfully,  
/s/ James F. Burns, Jr.,  
President.

## Why Cheap Money?

(Continued from page 3213)

ponents would like to check the decline, and to keep the interest rates at their present level. Both schools imagine that it would be possible to keep interest rates stable at a certain level. What they overlook is that the moment it becomes evident that the cheap money drive has come to an end—at no matter what level—speculators in Government stock would hasten to take their profit. There would be a sharp fall. This again would induce holders of floating debts not to renew their holdings, in the hope of being able to do so later on more favorable terms.

The result would be a sharp rise in interest rates, or a spectacular expansion of credit to meet maturities, or both. The Treasury would have to raise the funds required for the repayment of maturing debts, and would only be able to do so at much higher rates. To a large degree the money would be raised through an increased issue of Treasury bills, and in order that the banks should be able to absorb the addition the whole volume of credit would be expanded. The inflation thus brought about would be a multiple of any conceivable inflation created through continuing the cheap money policy.

If the trend of interest rates is reversed then British taxpayers will have to give up any hope for a reduction of taxation. Indeed, it may be even doubtful whether it will be possible to maintain taxation at the level to which it was reduced in the last Budget. Any further drastic reduction could only be possible through the conversion of high interest-bearing loans on a lower level. For this reason alone, the cheap money drive is a Treasury policy, not a Socialist Party policy.

Evidently, however, the cheap money drive could not continue forever. Its extreme limit is bound to be reached sooner or later, and when it is reached the reaction described above is certain to set in, unless in the meantime the floating debt has been reduced to normal proportions. It is important, therefore, to drag out the process as long as possible. It would be short-sighted to press the cheap money drive too hard, because in that case it might reach its extreme limit too soon. And it may take time before the unwieldy mass of floating debts could be reduced to manageable proportions. Once that end is achieved, the termination of the cheap money drive could be envisaged without undue concern.

## The American Plan for German Bank Reform

(Continued from page 3208)  
require 37 billion ~~mark~~, more or less.

Its present condition, destruction, reparations, deindustrialization, lack of raw materials, prostrate internal and external trade make Germany practically a nation on relief. Often overlooked is the fact that in addition to its present inflated debt, deposits and currency there are tremendous future, non-productive costs which must be internally financed without outside help. Welfare costs, occupation costs, cleanup of destruction costs all mean budget deficits and hence more inflation—maybe hundreds of billions of Reichsmarks.

With the division of Germany into four zones there is—contrary to the Potsdam program—at this writing no common monetary banking and fiscal policy, although a detailed plan for financial reform has been prepared by a group of American financial experts and is now under quadripartite consideration in Berlin.

### Russian Zone Differently Treated

While the paper currency in circulation in the four zones is uniform, consisting of Reichsmark notes issued before V-E Day by the Reichsbank and Allied military notes placed in circulation by the occupying armies, the treatment of bank deposits in the four zones has not been uniform. The Reichsbank, of course, no longer exists as a central-banking system. The head office in Berlin has been closed, so have the Berlin head offices of the big branch banks, central mortgage and savings banks. Instead there is only the Berlin Stadtkontor, a quadripartite-controlled bank. It does business with the public there, but has no contact with the former Reichsbank branches and agencies throughout the country. In the Russian zone of Germany all Reichsbank offices were closed and the Reichsbank branches in the other zones have no knowledge of what became of the assets of the Russian-zone branches and agencies. The same is true of the other big German banks. The Russians closed all commercial banks in the territories they conquered as of May 8, 1945 and replaced them with a new system of banks. In the other zones, however, the Americans, British and French allowed the local banks to resume business.

From the standpoint of inflation, therefore, the Russian zone has eliminated the inflation potential in the form of old bank deposits, a step which incidentally has forced many people to go to work who otherwise, as in the Western zones, would be tempted to live on their savings and patronize the black market more generally than they now can. On the other hand, the Russians are believed to have added to the inflation potential in their zone by the printing of large amounts of Allied military marks from duplicates of the plates used by the U. S. A. to print military marks for the Western powers. These duplicate plates were supplied by the United States. These Russian-printed notes have a tendency to overflow into the Western zones, as evidenced by the 1,000-mark notes, which the Western powers have not printed, but presumably

### William F. Goulet Opens Offices in New York City

William F. Goulet has opened offices at 32 Broadway, New York City, to act as dealer in public utility and industrial stocks and bonds, whole mortgages and mortgage certificates. Mr. Goulet was previously President of W. F. Goulet & Co., Inc. and was with Realty Liquidators, Inc. of Yonkers, N. Y.

the large-scale issuance of these Allied military notes by the Russians, especially during the early months of the occupation, must have swelled considerably the supply of currency in the hands of the population of the Russian zone, and the writer has heard, although there is no statistical measure thereof, that the black market is worse in the Russian zone than in the West of Germany. Whether this is a fact I cannot say.

It is "reliably reported" that the Russians agreed in 1945 to give the amounts of Allied Military Marks issues outstanding as of Dec. 31, 1945 and quarterly thereafter, but so far have not done so. U. S., U. K. and French have.

### Reichsbank Official Interviewed

The former branches of the Reichsbank in the American zone are still operating under the Office of Military Government (OMGUS) with limited central-banking functions. There is such a branch in each of the three Laender of this zone. In Bavaria, for example, the Munich branch of the Reichsbank is so operated. Its German director is Mr. Heinrich V. Hartlieb, who for many years was connected with the Reichsbank and has considerable familiarity with occupation banking problems, having worked on the other side of the table in Paris, when that country was subject to direction from Berlin after the 1940 collapse. Director Hartlieb, incidentally, in prewar years as a Reichsbank official, worked with such American bankers as Rovensky and Gibson on standstill questions, and on Reichsbank foreign-exchange, clearing-agreements and similar matters.

The writer asked Mr. Hartlieb whether he felt, as do some of the Americans in Berlin with whom the matter was discussed, that it had been a mistake for us to leave the bank deposits intact upon our occupation of this zone of Germany. Mr. Hartlieb admitted that the pressure on the people to work is stronger in the East as a result of the U. S. S. R.'s policy of wiping out existing bank balances and breaking the banks, but that the Russian system was unfair and for many individuals quite brutal. The person who had been "correct" and left his money on deposit with his bank was penalized, whereas the person who took his deposits out in the form of currency was rewarded for his unsocial act, this Reichsbank official commented. People who patronized the black market during the war, Nazis and tax evaders had kept away from the banks.

In Mr. Hartlieb's opinion, the supply of notes now believed to be outstanding in the four zones of Germany is about ten times more than what would be normally required by the German economy. This suggests the elimination of nine-tenths of the notes in the public's hands. Referring only to Bavaria, but presumably the same applies more or less in the other parts of the American zone, Mr. Hartlieb pointed out that bank deposits as they existed on V-E Day are by no means all "live," for under Law No. 52 of the Control Council, certain bank accounts are almost completely blocked, being subject only to withdrawals of 200 to 300 marks a month in the cases of individuals and to withdrawal for working capital in the cases of businesses.<sup>1</sup>

### The Banks and Inflation

The fact that the banks in this zone were left open, Mr. Hartlieb stated, resulted in the public regaining confidence in them. Ac-

cordingly, bank deposits have greatly increased because of the redepositing of currency by the public. Of the cash holdings of the banking system in this area, about nine-tenths is ultimately lodged in the local Reichsbank.

About 80% of the assets of the commercial banks here are in the form of German Government Treasury bills, now of course in default, since there is no longer a German central Treasury.<sup>2</sup> "Accordingly," continued Director Hartlieb, "the banks have no assets suitable for rediscount at this Reichsbank." But it is our policy to maintain confidence in the banking system. We do not want any bank to get into trouble, for that might become contagious. Therefore, if a bank is faced with trouble, it can borrow from this Reichsbank office in Munich, but only Lombard loans at 4½% interest, 1% more than the official discount rate for commercial paper.

"With regard to the Treasury bills in the hands of the banks, they are of course in the same category as old Reichsmark notes issued by the Reichsbank before V-E Day; that is, they are non-interest-bearing obligations of a presently extinct authority. The chief present difference is that with Reichsmark notes you can buy something.

"It is a mistake to regard Reichsmarks as completely worthless, even though they represent in large part the financing of the production of war goods now destroyed. Certainly a fair fraction is represented by tangible property which still has value, real estate, for example, so the Reichsmark is not completely devoid of *de facto* 'backing.'

"An interesting phenomenon in this part of Germany followed the replacement last year of the Reichsmark by the Shilling in nearby Austria. The effect in Bavaria was that large numbers of people brought Reichsmarks to their banks for deposit on the theory that here, too, the final reckoning might favor those with bank accounts as against currency hoarders. The people did not, presumably, bring to the banks all their currency, but perhaps only half, as a hedge. This evidenced a widespread belief in Bavaria that what would ultimately be done here as an anti-inflationary measure would be the opposite of what the Russians did in their zone of Germany immediately after the occupation.

"After currency reform, which however is not an isolated issue but can be successfully solved only along with other economic and political problems, the main problem facing us here," continued Mr. Hartlieb, "is bank decentralization." The American bank decentralization policy is reported to call for a miniature Federal Reserve System in the three American Laender of this zone.<sup>3</sup>

### American Banking Plan Described

The U. S. Plan for German banking is based on the quadripartite policy, laid down in the Berlin Conference, that this German economy shall be decentralized and that excessive concentrations of power be eliminated. Therefore, national centralization of banking or bank supervision in Germany or in the U. S. zone is considered by OMGUS to be ruled out. Banking operations, clearings, supervision and control are all being organized on a "Land," or State basis in the three Laender of the American zone.

The U. S. Plan recommends for

the American zone a separate "central bank" for each of the three Laender, each such institution establishing clearing arrangements with the two other "Laender" central banks. Each central bank is to be known as the "Central Banking Institution," for which purpose the three regional branches of the Reichsbank are being used, namely, those of Bavaria (Munich), Wurtenberg-Baden (Stuttgart), and Greater Hesse (Wiesbaden). The word "Reich" is to disappear from their names.

Each of the three new central banks is to have a "supervisory board," representing the various economic interests, including union labor, of the Laender. Each Land central bank is to act as clearing and settlement institutions for all banks in its area as well as the two other Land central banks, the central banks of the British and French zones, a bank or banks in Berlin, and presumably the State banks in the Russian zone.

The Land central banks of the American zone are not to be banks of issue or commercial banks. They are to be confined to acting as bankers' banks and as fiscal agents of their respective Laender. Commercial and savings banks in each Land will be required to keep in the Land central bank a certain minimum percentage of their deposits, as a reserve for settling balances. The exact percentage the supervisory board will fix in each Land.

The Land central bank will issue the banking regulations for its jurisdiction, the American Plan provides. Bank inspection will be carried out, however, by independent supervisory agencies to be established in each Land somewhat similar to the Supervisors of State Banks in the U. S. A. The work of bank inspectors will be coordinated through a Banking Council, made up of the supervisory officials of the three Laender.

The American Plan envisages a banking law for each Land, as similar as possible to those of the other Laender, but taking into account local circumstances. It also calls for an independent supervisory agency, as completely divorced from politics as possible. The central bank's charter would empower it to regulate reserves, transfers and settlements, but subject to the regulations of any central banking authority later established for Germany as a whole.

In general, the American central bank plan for the Laender was designed to be easily amalgamated with any form of central financial administration later established under Potsdam for Germany as a whole, whether a central bank or central banking board.

Not only the central banks, but all classes of banks are to be decentralized to the Land level, under the American Plan. Branches outside of the Land where the bank's head office is located will not be permitted, and any new branches created within each Land first must be approved by the official bank supervisory authority of the Land concerned. Where in any one Land there exist branches of a bank with its head office located outside the Land concerned, one of the branches will be made that bank's head office for the Land, and such head office will be completely independent of any extra-Land control, direct or indirect, by any other banking institution.

The number of banks and branches in the zone will be reduced to conform to the limited service needs and available personnel of the community. Where eliminations are necessary, under the American Plan, local or regional banks will be favored over branches of former large banks such as the "Big Six."

Later on banking systems may be further decentralized to a

Landkreis or Standkreis basis, with emphasis on local ownership and control and branch banking may similarly be reduced in area; under the American Plan. But this feature, it was realized, might never be implemented because the units concerned might be too small to make it practicable.

### Hartlieb Decrees Headless Banking System

Commenting on the U. S. Plan, Mr. Hartlieb said: "It is hard in a few minutes to give all my reactions to the U. S. Plan, but I would like to make a few points. While decentralization of economic power is one of the quadripartite aims, the Berlin resolution of August 2, 1945, specifically provided that Germany shall be treated as an economic whole and to this end common policies shall be established in regard to currency and banking." Implicit in such a policy would seem to be the ultimate establishment of a bank or issue for the whole of Germany and I suppose—it is only a supposition—that ultimately there will be such an institution to which the Laender 'central banks' can turn for credit in case of need. Logically, reorganization of banking in the American zone makes sense, in the light of the Berlin decision I just quoted, only if there exists a similar system in the other zones of Germany.

"To make a comparison, the Federal Reserve System in the United States does not leave the 12 reserve banks entirely independent, but insures the carrying out of national credit policies. W. Randolph Burgess, in his book 'The Reserve Banks and the Money Market,' describes the origin of the Federal Reserve System and says that when the decision had been taken to create 12 regional banks, an impossible situation would have ensued, had there been no provision for coordinating them. The same holds for the Reich today.

"Another point is timing. I pointed out to the Military Government last year that to reorganize banking in one zone before the German currency is reorganized and before a new central currency-issuing authority is set up would be premature, as it would burden the new, U. S.-sponsored banking system with the onus of currency reform. Then, what is to be done with the assets of the Reichsbank and commercial bank branches represented by claims on the now-closed head offices in Berlin?"

"Under the occupation the Reichsbank branches have been forced to contract liabilities without always being given corresponding assets. An example was when the military government at Frankfurt reportedly deposited 2,500,000,000 RM of previously unissued notes it had captured in a cave in Thuringia for credit to its account at the Frankfurt branch of the Reichsbank. This was the equivalent of the causing the issuance of that much currency without corresponding assets. The 2,500,000,000 RM deposit is thus a charge on the three Laender governments of the American zone or of all four zones."

"In my opinion, too," continued Mr. Hartlieb, "the central bank should be as separate from the government as possible, and not made the means of financing government deficits. It must be remembered that in Germany State-owned banks have been traditional. In Bavaria, for example, a Bavarian State Bank has been in existence for more than 165 years. Such institutions, therefore, ought to be used to finance state exchequer needs."

"In the past the Reichsbank branches have dealt not only with other banks but with the general public. They are not to be pro-

<sup>1</sup> Elsewhere the writer was informed that while blocked accounts are a substantial part of total deposits most of them are not totally blocked, but may be utilized for "normal business transactions."

<sup>2</sup> In the cases of former branches of large banks, a large part of assets consist of claims on other banks, principally on the head offices in Berlin, where functions of investment were exercised.

hibited from doing that sort of business, but I think all accounts for clearing agreements should be kept with the central bank. The public should be obliged to bring its foreign exchange to the central bank.

"In the last analysis, of course, a bank which has no note-issue power can hardly be correctly described as a central bank.

"Under the American Plan, with the creation by the Laender governments in whole or in part of the Bank Control Supervisory Boards, and Bank Committees the 'central banks' will be strongly under the influence of the governments. This may prove harm-

ful to the currency. I feel that we should be building a sounder post-war banking system if more of the banking decisions were entrusted to trained bankers and not so much to German government officials.<sup>3</sup>

<sup>3</sup> While Mr. Hartlieb's objection is justifiable, it is really not a criticism of the American authorities. In the evolution of the U. S. plan the principles were laid down for decentralization and central banks for the Leander. Each Land was asked to submit a law to fit the principles, for approval. Minor differences were not to be obstacles, provided principles were effectuated. Draft laws were submitted, but, as one American relates it, "The politicians took over everything, appointed everyone, approved everything. They outdid Hitler. They were told they had to modify their ideas."

## Washington and You

(Continued from page 3205)

sites just can't get too chummy over such issues.

"Reasonable self-denial" during 1947 is to be urged upon American consumers by the Federal phrase makers. We are to be told that (1) supplies of certain consumer goods will remain scarce, (2) available supplies must be prorated to all nations, (3) if we demand more than an equitable share, production in other nations will be stimulated to unsound volume, (4) ultimate over-production will result and American producers will lose their markets abroad.

Sugar is cited by the controllers as a scarce food which must be distributed equitably if a balanced world economy is to be achieved. Before the war, we consumed about 19% of the world's sugar production. This year we are getting 5,400,000 tons, or about 20% of production. For 1947 the Food Industry Council Committee is demanding 6,950,000 tons, or about 25% of the estimated 30 million ton production. Government budgeteers warn we must remain on the old 19 or 20% level, otherwise we'll upset the sugar bowl.

Republican Congressmen will accept—with pleasure—Treasury Secretary John Snyder's invitation to sit down with his experts in budget balancing tete-a-tetes. Snyder has offered services of Treasury tax specialists to Senate and House members who will write the next revenue bill. Many Republicans and Democrats like and trust Snyder, will welcome such friendly cooperation—unusual since 1932.

Foreign trade turmoil will shortly boil over. Under Secretary of State Clayton hopes to highlight coming international conference with world agreements cutting tariffs for the next three years. Republicans are ready to counter with demands that all such commitments be submitted to Congress for ratification. This kicks the entire Reciprocal Trade Agreements Act into a hot kettle of economic as well as political ingredients—and the resultant mess won't be very palatable to the low-tariff advocates.

Republicans themselves are split on the trade pacts issue. New York's Republican Representative Reed is penning a resolution killing the entire trade agreements statute. That won't pass. Better guess is that Congress will vote itself a chance to OK or veto tariff changes before they become operative.

Statute of limitations protecting industry from excessive recovery suits by labor will be debated, likely enacted by the Republican Congress. This action will stem from the court order permitting unions to sue for portal-to-portal pay under the Federal Wages and Hours Act for a period retroactive

to 1938. Estimates place the resultant liability of employers at \$6 to \$10 billion. New Deal Congressmen refused to limit the liability. Now, however, legislators are ready to step in with restraining action if necessary, compressing the retroactive recovery period into one, two, or three years.

**Economy of scarcity or Federal subsidies?** That's the worrisome dilemma dangling before Congress. The New Deal Congress voted to maintain farm prices at 90% of parity for two years after the war's termination. Now crop production is booming, may shortly ring up surpluses. So Congress must decide whether to (1) let production run rampant and pay parity subsidies or (2) curb production and avoid parity payments. From this position it looks like continuation of subsidies for a couple of years. Republicans just don't hanker to embrace the old Roosevelt philosophy of plowing under.

Definitely dead victim of the Wyatt housing collapse is the dream of a new and fabulous pre-fabricated home industry financed by government loans. Federal aid for pre-fab projects will be made available but limited to small, non-related ventures.

Coastwise vessels will shortly be nudged into a lumber transportation cue. One of the narrow bottlenecks in the housing stoppage is the box car shortage. To help market increasing timber supplies, the Maritime Commission will conscript merchant marine aid.

Justice Department trust busters are unhappy, fear an economy conscious Congress may whittle down their appropriations. So they're excavating the old monopoly witch and will shortly send her aloft astride their own propaganda broom. Their special mission, they will remind the public, is to protect taxpayers from monopolistic evils. Ergo, taxpayers surely wouldn't want the trust busting fund curtailed. Congress will hear lots of such special exemption pleas, likely will ignore most of them.

Socialized medicine has died aborning. The Wagner-Murray-Dingell bill for universal compulsory health insurance was interred by the Republican landslide. Substituted for this instrument will be a National Health measure authored by Ohio's Republican Senator Taft, proposing a state system of medical care for the poor and coordinating the health functions of the Federal Government in a single agency.

Federal Trade Commission is about to resume collecting industry-wide statistical reports. This operation was suspended during the war because of duplicating OPA effort. With OPA discarded, FTC has obtained the Presidential

nod and will soon again be circulating its questionnaires. More paper work!

Convening of Congress will signal a renewed and energetic drive to have the four-cent copper tariff shaved in half. White House advisors are already viewing this tough one a little forlornly.

Federal Reserve Board this week aimed a load of buckshot at the used car inflation balloon by invoking again the utilitarian Regulation W. The board ruled that hereafter used car credit value must be based on the lower of either (1) the cash purchase price or (2) the average retail value as stated in one of the used car guides designated by the Board. Previously, credit value had been based solely on cash purchase price.

**Here's an official word of warning to investment bankers that the Justice Department is looking you over.** Said Assistant Attorney General Wendell Berge in a recent speech: "In considering the monopoly problems raised by the increasing number of mergers, we must not overlook the influence of financial groups and investment bankers on competition in American industry. These bankers are primarily interested in the sale of securities. These sales are their principal source of income. Consequently, it is natural for them to seek every opportunity to stimulate new security issues. Since these bankers also act as financial advisors to the companies which issue the securities they sell, they are in a strategic and powerful position to create the business they seek." [See page 3207 for full text of Mr. Berge's address.—Editor.]

### Lincoln Re-elected Insurance Inst. Head

Leroy A. Lincoln, President of the Metropolitan Life Insurance Co. of New York, was re-elected Chairman of the Board of the Institute of Life Insurance on Dec. 11, at the Institute's Eighth Annual Meeting at the Waldorf-Astoria Hotel, New York. Elected as members of the Board of Directors to serve until 1950 were Paul F. Clark, Boston, Mass., President of the John Hancock Mutual Life Insurance Co.; Franklin D. D'Olier, Newark, N. J., Chairman of the Board, Prudential Insurance Co. of America; F. W. Hubbell, Des Moines, Iowa, President of the Equitable Life Insurance Co. of Iowa; J. H. Lithgow, Toronto, Ont., Vice-President and General Manager, Manufacturers Life Insurance Co. and Charles F. Williams, Cincinnati, Ohio, President of the Western & Southern Life Insurance Co.

New members of the executive committee, all elected from the present Board of Directors, include Harry W. Manning, Winnipeg, Man., Managing Director of the Great West Life Assurance Co.; Arthur M. Collens, Hartford, Conn., President of the Phoenix Mutual Life Insurance Co. and E. W. Craig, Nashville, Tenn., President of the National Life & Accident Insurance Co. of Tennessee.

Re-elected to the executive committee were Claris Adams, Columbus, Ohio, President of the Ohio State Life Insurance Co.; Col. D'Olier; James A. Fulton, New York, President of the Home Life Insurance Co. of New York and John A. Stevenson, Philadelphia, Pa., President of the Penn Mutual Life Insurance Co.

### Tomorrow's Markets

#### Walter Whyte Says—

By WALTER WHYTE

Last week's failure to advance gives signs of turning into this week's success. Technical indications point to resumption of rally.

The market having come close to giving everybody the signal for a bull market they were waiting for, it turned down again, in characteristic manner, adding to the confusion that already existed.

The hardest thing to do is to take a loss. I have known people to sit with their stocks for months on end, hoping everything would work out and the loss would some way be transformed into a profit. I have nothing against long pull holding. But when such long pulls tie up cash which could be used advantageously, it is neither investing or trading. Years ago I knew a successful trader who disposed of all his stocks at regular intervals. He would then go over each issue. If the reasons that led to his buying still remained, he would buy them again. If not he would buy something else, or do nothing.

All this leads to the statement that the stocks originally recommended here are still in a position to advance. In fact the entire market—which failed to penetrate the highs last week, despite the wide publicity and reams of explanations—hasn't changed its bullish picture. The outlook for an advance is still the same. It has just been postponed.

Last week I wrote in discussing the rally that "by the time you read this (last week's column) it may no longer be current." You saw what happened. Now I say that by the time you read

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this week's column, the market will probably be up again, and the stories of new bull markets will again be revived.

Actually there are quite a number of stocks which should do better in the comparatively near future. To choose them, however, is something else. A rule of thumb I think you might seriously consider is to regard last week's lows as immediate stops. In other words, stocks would be a buy at current levels (Tuesday's close) but should not be held if they break last week's lows.

Readers are still long of four stocks, some bought recently, and some bought some time ago. Up to this writing all of these show higher ultimate prices. However, the stops should not be disregarded. What looks wonderful one day has a habit of turning nasty the next. If there is anything consistent about the market, it is its inconsistency.

Anaconda bought at 37, is to be sold across 42; stop remains at 37. Dresser bought at 17, should be sold across 24. Stop still is 18. Gulf, Mobile and Ohio bought at 12, has no immediate selling price. Just hold on with a stop at 13. Incidentally company just declared a \$2.50 dividend on the preferred, which took the Street by surprise. Southern Pacific came in at 43, the stop is now 44.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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# Securities Now in Registration

## • INDICATES ADDITIONS SINCE PREVIOUS ISSUE

### Acme Electric Corp., Cuba, N. Y.

June 26 filed 132,740 shares (\$1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at \$5 a share. **Proceeds**—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of \$200. Of the net proceeds (\$292,940) \$50,000 will be used to pay current bank loans; about \$20,000 will be used for machinery and equipment, and the remainder for working capital.

### Acme-Hamilton Mfg. Corp., Trenton, N. J.

Aug. 29 filed 50,000 shares 5% cumulative preferred stock (\$20 par) and 82,000 shares (\$1 par) common stock. **Underwriters**—G. L. Ohrstrom & Co. and S. R. Livingstone & Co. **Offering**—Company is offering the 50,000 shares of preferred, while the 82,000 shares of common are being sold for the account of certain stockholders. **Prices**—\$20 a share for the preferred, and \$11.50 a share for the common. **Proceeds**—Company will apply proceeds to fully discharge secured demand notes, mortgage notes and partial discharge of debenture indebtedness. Offering temporarily postponed.

### Adams Oil Co., Los Angeles, Calif.

Dec. 9 (letter of notification) 30,000 shares each (\$10 par) 6% cumulative convertible preferred and (\$1 par) common. **Price**—\$10 a unit consisting of one share of preferred and one share of common. **Underwriter**—Pacific Co. of California, Los Angeles. **Proceeds**—For working capital and construction of an asphalt plant.

### Aeroxox Corp., Bedford, Mass.

Aug. 22 filed \$1,500,000 of 5% sinking fund debentures, due 1961, and 50,000 shares (\$1 par) common stock. **Underwriter**—Ames, Emerich & Co., Inc., and Dempsey & Co., Chicago. **Offering**—The debentures will be offered publicly. The common shares will be issuable upon the exercise of stock purchase warrants for purchase of common stock at \$2 a share above the bid price of such common on the effective date of the registration. Company will sell warrants for 25,000 common shares to the underwriters at 10 cents a warrant. The remaining warrants will be sold to officers and employees of the company. **Price**—Debentures at 98. **Proceeds**—Company will use \$1,025,000 of proceeds of debts for payment of an indebtedness to Bankers Trust Co., New York. Balance, will be added to working capital. Offering postponed.

### Air Lanes, Inc., Portland, Me.

Oct. 9 (letter of notification) 15,000 shares each of preferred and common. Offering price, \$10 a preferred share and 1 cent a common share. If offerings are made in the State of Maine, they will be made by Frederick C. Adams & Co., Boston. To complete plant and equipment and to provide working capital.

### Airways Training, Inc., Oakland, Calif.

Dec. 13 (letter of notification) 750 shares (\$100 par) Class A stock. **Price**—\$100 a share. No underwriting. For purchase of machinery and equipment and payment of organizing costs and operating expenses.

### American Broadcasting Co., Inc., N. Y.

June 27 filed 950,000 shares (\$1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. **Price**—By amendment. **Proceeds**—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

### American Building Corp., Dover, Del.

Nov. 5 (letter of notification) 20,000 shares each (\$10 par) 5% cumulative preferred and no par common. Price, \$10 a unit consisting of one share of preferred and one share of common. **Underwriter**—E. M. Fitch & Co., Philadelphia. **Proceeds**—For additional machinery, working capital and other corporate purposes.

### American Colotype Co., Clifton, N. J.

Aug. 12 filed 30,000 shares (\$100 par) cumulative preferred stock. **Underwriter**—White, Weld & Co. **Price**

by amendment. **Proceeds**—Net proceeds initially will be added to general funds, however, the company anticipates it will use the funds for its building and expansion program. Offering date indefinite.

### American Fidelity Co., Montpelier

Dec. 2 (letter of notification) 10,000 shares (no par) capital stock, to be offered to present stockholders. **Price**—\$59 a share. No underwriting. For additional capital funds for expansion purposes.

### American Limoges China Corp., New York

Sept. 25 filed 75,000 shares of common stock (par \$1). **Underwriter**—Riter & Co. **Proceeds**—Stock being sold for account of Harry Bloomberg, President. **Price**—By amendment. Offering date indefinite.

### American Locomotive Co., New York

July 18 filed 100,000 shares each of \$100 par prior preferred stock and \$100 par convertible second preferred stock. **Underwriting**—Union Securities Corp., New York. **Price** by amendment. **Proceeds**—Net proceeds, with other funds, will be used to redeem \$20,000,000 of 7% cumulative preferred stock at \$115 a share plus accrued dividends. Indefinitely postponed.

### American Water Works Co., Inc., N. Y.

March 30 filed 2,343,105 shares of common (par \$5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (Jointly). **Offering**—Price to public by amendment.

### American Zinc, Lead & Smelting Co., St. Louis

Sept. 6 filed 336,550 shares common stock (par \$1). **Underwriting**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders in the ratio of one additional share for each two shares held. Unsubscribed shares will be offered for subscription to officers and directors of the company. **Price**—By amendment. **Proceeds**—Working capital. Offering indefinitely postponed.

### Arkansas Western Gas Co.

June 5 filed 33,639 shares of common stock (par \$5). **Underwriters**—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. **Offering**—Stock will be offered to the public. **Price** by amendment. Shares are being sold by six stockholders.

### Armour and Co., Chicago

July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par \$5). **Underwriter**—Kuhn, Loeb & Co., New York. **Offering**—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of \$6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of \$6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. **Price**—Public offering prices by amendment. **Proceeds**—Net proceeds will be used to retire all unexchanged shares of \$6 prior stock and to redeem its outstanding 7% preferred stock. Temporarily postponed.

### Arcraft Hosiery Co., Philadelphia

Sept. 27 filed 53,648 shares (\$25 par) 4 1/2% cumulative convertible preferred and 150,000 shares (\$1 par) common. It also covers shares of common reserved for issuance upon conversion of preferred. **Underwriter**—Newburger & Hano, Philadelphia. **Price**—\$25.50 a preferred share and \$12 a common share. **Proceeds**—Company will receive proceeds from the sale of all of the preferred and 100,000 shares of common. The remaining 50,000 shares of common are being sold by three stockholders. Estimated net proceeds of \$2,300,000 will be used by the company to pay off bank notes of about \$1,100,000 and to purchase additional machinery and equipment in the amount of \$1,200,000. Offering date indefinite.

### Atlantic Refining Co., Philadelphia

Oct. 29 filed 293,000 shares (\$100 par) cumulative preference stock. **Underwriter**—Smith, Barney & Co., New York. **Offering**—Stock will be offered for subscription to common stockholders on the basis of one share of preference stock for each nine shares held. Unsubscribed shares will be sold to the underwriters who will reoffer it to the public. **Price** by amendment. **Proceeds**—A maximum of \$15,540,000 of the net proceeds will be applied to redemption of the company's cumulative preferred stock, convertible 4% Series A, at \$105 a share. The balance will be added to general funds for corporate purposes including repayment of obligations, acquisition of additional production, and expansion of refining, transportation and marketing facilities. Offering temporarily postponed.

### Bachmann Uxbridge Worsted Corp.

Nov. 27 filed 45,000 shares of 4% preferred stock (par \$100) and 200,000 shares of common stock (par \$1). **Underwriters**—Kidder, Peabody & Co. and Bear, Stearns & Co. **Proceeds**—Will go to selling stockholders. **Price** by amendment.

### Basic Food Materials, Inc., Cleveland, Ohio

Nov. 26 (letter of notification) 5,000 shares (no par) common, to be offered to stockholders; 295 shares of (\$100 par) preferred, 4,750 shares (no par) common and \$50,000 10-year 5% debenture notes, all to be offered to the public. **Prices**—\$5 per common share to stockholders; \$10 per common share to public, \$100 per preferred share and debentures at face. No underwriting. To increase working capital.

### Beaunit Mills, Inc., New York

Sept. 27 filed 180,000 shares (\$2.50 par) common. **Underwriter**—White, Weld & Co., New York. **Price**—By amendment. **Proceeds**—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin, President of Beaunit Mills, Inc.

### Berbiglia, Inc., Kansas City, Mo.

Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible \$6 par preferred. Offering price, \$6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

### Berg Plastics & Die Casting Co., Inc.

Oct. 31 (letter of notification) 75,000 shares (10c par) common. **Price**—\$4 a share. **Underwriter**—E. F. Gillespie & Co., Inc. **Proceeds**—For acquisition of machinery, tools and raw materials, and for working capital.

### Birmingham Electric Co., Birmingham, Ala.

**Offering**—Company is offering the stock on a share for share exchange basis to holders of its \$7 preferred stock and \$6 preferred stock, plus a cash adjustment. Exchange offer expires 3 p.m. (EST) Dec. 23. Shares not required for the exchange will be sold at competitive bidding at a price not less than \$100 per share net to the company. **Underwriting**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Dillon, Read & Co., Inc.; Blyth & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co.

### Blumenthal (Sidney) & Co. Inc., New York

Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting**—None. **Proceeds**—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at \$10 per share, company on Sept. 20 decided to withhold action at this time.

### Book-of-the-month Club, Inc., New York

Oct. 28 filed 300,000 shares (\$1.25 par) capital stock. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Of the total, the company is selling 100,000 shares and six stockholders, including Harry Scherman, President, and Meredith Wood, Vice-President, are selling the remaining 200,000 shares. **Price** by amendment. **Proceeds**—Company will use its net proceeds for working capital to be used for expansion of inventories of paper and other raw materials and book inventories.

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## NEW ISSUE CALENDAR

(Showing probable date of offering)

December 19, 1946

Briggs & Stratton Corp. Capital Stock  
Ohrbach's Inc. Preferred  
Union Pacific RR. Cond. Sales Agreements

December 20, 1946

Eastern Broadcasting, Inc. Pfd. and Com.  
Pacific Western Oil Corp. Capital Stock

December 23, 1946

Walker Vitamin Products Co. Cl. A & Cl. B Stocks  
Kingsport Press Inc. Common

December 24, 1946

Red Owl Stores, Inc. Pfd. and Com.

December 30, 1946

Sydney County Council N. S. Wales Bonds  
January 2, 1947

Frontier Power Co. Common  
Harman (William) Corp. Capital Stock  
Orange-Crush de Cuba S.A. Common

January 3, 1947

Canadian Admiral Corp., Ltd. Common  
January 6, 1947

Manning, Maxwell & Moore, Inc. Common  
January 13, 1947

Western Air Lines, Inc. Capital Stock  
January 15, 1947

White's Auto Stores, Inc. Pfd. and Com.

## Boston Store of Chicago, Inc.

Sept. 10 filed 30,000 shares (\$50 par) 5% cumulative preferred and 500,000 shares (\$1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering**—Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. **Price**—By amendment. **Proceeds**—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of \$5,268,750 and accrued interest. Offering date indefinite.

## Bowman Gum, Inc., Philadelphia

Sept. 27 filed 268,875 shares (\$1 par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—By amendment. **Proceeds**—Stock is being sold by shareholders who will receive proceeds.

## Braunstein (Harry), Inc., Wilmington, Del.

Sept. 25 filed 12,500 shares (\$25 par) 4 1/2% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. **Underwriter**—C. K. Pistell & Co., Inc., New York. **Price**—\$25 a share for preferred and \$11 a share for common. **Proceeds**—7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by present stockholders. Net proceeds to the company, estimated at \$147,500, will be used to prepay to the extent possible outstanding \$149,300 mortgage liabilities. Offering date indefinite.

## Briggs &amp; Stratton Corp. (12/19)

Aug. 9 filed 76,000 shares (no par) capital stock. **Underwriters**—A. G. Becker & Co., Inc., Chicago. **Price**—By amendment. **Proceeds**—Shares are being sold by stockholders. Temporarily postponed.

## Brooklyn (N. Y.) Union Gas Co.

May 3 filed 70,000 shares of cumulative preferred stock (\$100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

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## California Oregon Power Co.

May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. **Underwriters**—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. **Offering**—Stock is being sold by Standard Gas and Electric Co., parent, of California. **Bids Rejected**—Standard Gas & Electric Co. rejected June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of \$28.33 a share, and Harriman Ripley & Co. bid of \$24.031 a share. Stock will again be put up for sale when market conditions improve.

## Camfield Mfg. Co., Grand Haven, Mich.

July 29 filed 220,000 shares (\$1 par) common stock. **Underwriters**—Gearhart & Co., Inc. **Offering**—Of the shares registered, 100,000 are issued and outstanding and will be sold to the underwriters by three stockholders at \$4.50 a share for their own account. The remaining 120,000 shares are being offered by the company. Price \$4.50 a share. **Proceeds**—Company's share to pay renegotiation refund in amount of \$180,000 to the U. S. Government, and for additional working capital. Offering date indefinite.

## Canadian Admiral Corp. Ltd., Toronto (1/3-10)

July 8 filed 150,000 shares (\$1 par) common stock. **Underwriter**—Dempsey & Co. **Offering**—Stock initially will be offered to common stockholders of Admiral Corp. at \$3 a share. **Proceeds**—\$75,000 is earmarked for purchase of machinery and equipment, and tools, jigs, dies and fixtures; balance will be available for corporate purposes. Indefinitely delayed.

## Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario

June 24 filed 400,000 shares of common stock. **Underwriter**—No underwriters. **Offering**—To the public at \$1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

## Central &amp; South West Utilities Co.

Aug. 30 filed its (\$5 par) capital stock. Company's name is to be changed by post effective amendment to Central & South West Corp. (Del.). Prospectus will be issued in connection with the public invitation for sealed bids for the purchase of a sufficient number of such shares as same will be constituted upon consummation of a proposed merger into the issuer of American Public Service Co., to provide funds for retiring the preference shares of the issuer and American Public Service Co., not exchanged for shares of the merged corporation. Underwriters by amendment. Possible bidders: Glore, Forgan & Co.; Lehman Brothers-Lazard Freres & Co. (jointly); Smith, Barney & Co.-Harriman, Ripley & Co. (jointly); Blyth & Co., Inc., Stone & Webster Securities Corp. and First Boston Corp. (jointly). Price by amendment.

## Central Soya Co., Inc., Fort Wayne, Ind.

Aug. 21 filed 90,000 shares (no par) common. **Underwriter**—None. **Offering**—Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7 1/3 shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—Working capital, etc. Offering indefinitely postponed.

## Christina Mines, Inc., New York

Dec. 9 (letter of notification) 270,000 common shares (par \$1). **Underwriters**—Newkirk & Banks, Inc. **Price**—\$1 per share. **Proceeds**—Working capital, etc.

## Citizens Casualty Co. of New York

Dec. 3 (letter of notification) 5,000 shares of \$1.25 prior preferred being offered to stockholders at \$25 a share. The right to subscribe will be in the ratio of one share for each 5 shares held. **Underwriter**—Salvage Adjustment Corp., New York, may be considered underwriters. For general corporate purposes.

## Collett-Week-Nibecker Inc., San Francisco, Calif.

Dec. 9 (letter of notification) 3,000 shares of 6% cumulative preferred. **Price**—\$100 a share. No underwriting. For additional working capital.

## Colonial Airlines, Inc., New York

Oct. 25 filed 150,000 shares (\$1 par) capital stock. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C. and Hornblower and Weeks, New York. Price by amendment. **Proceeds**—Net proceeds will be used to pay off a \$550,000 loan to the Continental Bank & Trust Co. of New York; purchase equipment and development expenses of Bermuda route. The balance will be used to increase working capital.

## Colonial Sand &amp; Stone Co., Inc., N. Y.

August 15 filed 300,000 shares (\$1 par) common stock. **Underwriters**—Emanuel, Deetjen & Co., New York. Price by amendment. **Proceeds**—Company will receive proceeds from the sale of 150,000 shares and Generoso Pope, President of company, who is selling the remaining 150,000 shares will receive proceeds from these shares. The company will use its proceeds for payment of mortgage notes, open account indebtedness and for purchase of additional equipment. Any balance will be added to working capital. Indefinitely postponed.

## Colorado Milling &amp; Elevator Co., Denver, Colo.

Aug. 20 filed 70,000 shares (\$50 par) cumulative convertible preferred stock. **Underwriter**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Prior to the proposed issue of preferred stock, the company plans to call its \$3 cumulative convertible preferred stock for redemption at \$55 a share plus accrued dividends. Funds for the redemption will be supplied by a short term bank loan. Proceeds from the sale of preferred, together with other funds, will be used to repay the bank loan. Indefinitely postponed.

## Columbia Aircraft Products Inc.

June 26 filed 150,000 shares (\$4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1 1/2 shares of common for each share of preferred. **Underwriter**—Floyd D. Cerr Co., Inc., Chicago. **Offering**—Company offered 59,585 1/2 shares for subscription to present common stockholders of record Aug. 6 at \$4.50 a share in the ratio of one share of preferred for each share of common held. Rights expired Aug. 20. Stockholders subscribed for 735 shares. The offering to common stockholders excluded the two principal stockholders who waived their rights to subscribe. The remaining 90,414 1/2 shares and 58,850 1/2 shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—\$5 a share. **Proceeds**—Approximately \$50,000 for payment of Federal taxes; \$250,000 for payment of Lincoln-RFC loan; \$50,000 as a loan to Palmer Brothers Engines, Inc., a subsidiary; balance for purchase of machinery and equipment and working capital.

## Commonwealth Telephone Co., Madison, Wis.

Sept. 23 filed 16,071 shares (\$100 par) \$4 cumulative preferred. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Offering**—Shares will be offered for exchange for \$5 cumulative preferred, on a share for share basis, plus cash adjustment. Shares not exchanged will be sold to underwriters. Price by amendment. **Proceeds**—To redeem at \$110 a share, plus divs., all unexchanged old shares.

## Continental Car-na-var Corp., Brazil, Ind.

Nov. 4 (letter of notification) 132,500 shares (\$1 par) common and 35,000 warrants for purchase of common one year after present public offering. **Price**—\$2 a common share, one cent a warrant. **Underwriter**—L. D. Sherman & Co., New York. For working capital.

## Continental Oil Co., New York

Nov. 25 filed an unspecified number (\$5 par) capital stock shares. **Underwriters**—None. **Offering**—The shares will be offered for exchange on or before Feb. 1, 1947, to holders of \$2 par capital stock of Texon Oil & Land Co., on basis of one share Continental for 4 shares Texon.

## Continental-United Industries Co., Inc.

Aug. 2 filed 150,000 shares (\$1 par) common. **Underwriters**—Aronson, Hall & Co. Price \$8.25 per share. **Proceeds**—To repay demand loans and for general funds. (Originally company filed for 80,000 preferred shares par \$25 and 350,000 common shares.)

## Crawford Clothes, Inc., L. I. City, N. Y.

Aug. 9 filed 300,000 shares (\$5 par) common stock. **Underwriters**—First Boston Corp., New York. Price by amendment. **Proceeds**—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

## Curtis Publishing Co., Philadelphia

Dec. 10 (letter of notification) 1,000 shares of common on behalf of Cary W. Bok, Vice-President and Director. **Price**—At market. Stock will be offered through the brokerage firm of Hecker & Co., Philadelphia. Proceeds to selling stockholder.

## Curtis Publishing Co., Philadelphia

Dec. 10 (letter of notification) 1,000 shares of common on behalf of William Curtis Bok. **Price**—At market. To be offered through brokerage firm of Granbery, Marache & Lord, New York. Proceeds to go the selling stockholder.

## Curtis Publishing Co., Philadelphia

Dec. 10 (letter of notification) 3,000 shares of common on behalf of Mary Curtis Zimbalist, a Director and Vice-President. **Price**—At market. To be offered through the brokerage firm of Granbery, Marache & Lord, New York.

## Cyrus Mines, Ltd., Montreal, Canada

May 31 filed 500,000 shares of common stock (par \$1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to the public at 75 cents a share. **Proceeds**—Net proceeds, estimated at \$300,000, will be used for mining operations.

## Dallas (Texas) Railway &amp; Terminal Co.

Nov. 27 filed 40,000 shares (\$25 par) 5% participating preferred stock. **Underwriters**—Names to be supplied by amendment. **Probable Underwriters**—Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane; (Continued on page 3258)

(Continued from page 3257)

Rauscher, Pierce & Co. Price by amendment. **Proceeds**—Proceeds will be applied to the redemption of 3,843 shares of 7% preferred stock and for purchase of new equipment and for construction as part of its modernization and expansion program. **Business**—Railway, trolley and bus transportation.

**Danly Machine Specialties, Inc., Cicero, Ill.**

July 26 filed 62,000 shares (\$25 par) 5% cumulative convertible preferred stock and 71,950 shares (par \$2) common stock 40,000 by company and 31,950 by certain stockholders. **Underwriters**—Paul H. Davis & Co., and Shillinglaw, Bolger & Co., Chicago. Price by amendment. **Proceeds**—Company will use proceeds, together with a \$1,000,000 bank loan, to purchase machinery, buildings and to retire bank indebtedness. Offering date indefinite.

**Delta Chenille Co., Inc., Jackson, Miss.**

Oct. 2 filed 300,000 shares (20¢ par) common. **Underwriters**—Names by amendment. Price, \$8 a share. **Proceeds**—Of total, company is selling 150,000 shares and remaining 150,000 shares are being sold by Apponaug Manufacturing Co., Inc. Principal stockholder estimated net proceeds to company of \$1,007,913 will be added to general funds to be applied for corporate purpose. Company anticipates expenditures of \$300,000 in 1946 and \$300,000 in 1947 for equipping and absorbing costs of starting operations of four plants, two of which already have been contracted for. The balance will be added to working capital.

**Detroit Typesetting Co., Detroit, Mich.**

Sept. 25 filed 70,920 shares (\$1 par) common. **Underwriter**—C. G. McDonald & Co., Detroit. **Price**—\$5.50 a share. **Proceeds**—Stock is being sold by six shareholders who will receive proceeds. Boston. For working capital.

**Dispensers Inc., Brooklyn, N. Y.**

Dec. 13 (letter of notification) \$100,000 of 5-year 4% sinking fund debentures, due 1951; \$100,000 of 7½ year 4% sinking fund debentures, due 1954; 10,000 shares (\$9.50 par) 5% cumulative preferred; 30,000 shares (15¢ par) common, and options for purchase of 25,000 shares of common, exercisable one year after present offering. Prices, \$1,000 per debenture, \$9.50 a preferred shares, 15 cents a common share and one cent an option. The securities are to be offered to a group for investment, certain of whom are represented by Carl M. Loeb, Rhoades & Co. and certain of whom are represented by Roberts & Co. For payment of outstanding liabilities, for purchase of equipment and supplies and for working capital.

**Durasite Corp., Clearwater, Fla.**

Oct. 11 (letter of notification) 99,000 shares of common and purchase warrants covering 50,000 shares of common. **Offering**—Price \$3 a common share and five cents a warrant. **Underwriter**—Amos Treat & Co., New York. For machinery, plant renovation and working capital. Offering date indefinite.

**Eastern Broadcasting Co., Inc., West Hempstead, N. Y. (12/20)**

Dec. 13 (letter of notification) 530 share units, each comprising of one share of \$100 par 6% cumulative preferred and one share of no par common. Price, \$100 a unit. No underwriting. For construction of radio broadcasting station, purchase of land and other expenses.

**Empire Millwork Corp., New York**

Aug. 28 filed 50,000 shares of \$1.25 cumulative convertible preferred stock, (par \$25) and 150,000 shares of common stock (par \$1). **Underwriters**—Van Alstyne, Noel & Co. **Proceeds**—Corporation will receive the proceeds from the issuance of 50,000 shares of the common stock which will be used to increase productive capacity, add new lines of products and expand the business. The remaining 100,000 shares of common stock and the preferred shares will be sold by present stockholders. Offering temporarily postponed.

**Ero Manufacturing Co., Chicago**

Sept. 5 filed 105,000 shares common stock (par \$1). **Underwriter**—Straus & Blodger, Chicago. **Price**—\$11.50 a share. **Proceeds**—Shares are being sold by stockholders. Offering date indefinite.

**Falk Mercantile Co., Ltd., Boise, Ida.**

Oct. 21 (letter of notification) 3,000 shares of 4½% preferred (\$100 par). Price—\$100 a share. **Underwriter**—Richard Meade Dunlevy Childs, Boise, Idaho. Proceeds to retire debentures and for expansion purposes.

**Farquhar (A. B.) Co., York, Pa.**

Sept. 26 filed 30,000 shares (\$25 par) cumulative convertible preferred; 45,000 shares (\$5 par) common; and an unspecified number of common shares to permit conversion of the preferred. **Underwriter**—Stroud & Co., Inc., Philadelphia. **Price**—By amendment. **Proceeds**—Proceeds will be used to redeem \$355,350 4½% sinking fund mortgage bonds, due Aug. 1, 1957, to pay off certain contracts and chattel mortgages of \$72,000 and \$800,000 to reduce principal on outstanding bank loans.

**Films Inc., New York**

June 25, filed 100,000 shares (\$5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Wad-

dell & Co., Inc., New York. **Offering**—To be offered publicly at \$8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—\$201,000 for retirement of 2,010 shares (\$100 par) preferred stock at \$100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

**Food Fair Stores, Inc., Philadelphia**

Aug. 5 filed 60,000 shares (\$15 par) cumulative preferred stock. **Underwriters**—Eastman, Dillon & Co. Price by amendment. **Proceeds**—To be used to redeem 15-year 3½% sinking fund debentures, due 1959; and \$2.50 cumulative preferred at \$53 a share. Balance will be added to working capital. Temporarily postponed.

**Foreman Fabrics Corp., New York**

July 29 filed 110,000 shares (\$1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment. Offering date indefinite.

**Foster & Kleiser Co., San Francisco**

July 29 filed 100,000 shares of \$1.25 cumulative convertible preferred stock (par \$25). **Underwriter**—Blyth & Co., Inc. **Offering**—Underwriters are making exchange offer to holders of Class A preferred on share for share basis plus a cash adjustment. **Proceeds**—Approximately \$1,060,950 for redemption of class A preferred; balance for expansion, working capital, etc. Dividend rate and price by amendment. Offering temporarily postponed.

**Fresh Dry Foods, Inc., Columbia, S. C.**

Aug. 30 filed 450,000 shares (10¢ par) common. **Underwriter**—Newkirk & Banks, Inc. **Offering**—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. **Price**—\$6 a share. **Proceeds**—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital. Offering date indefinite.

**Frontier Power Co., Trinidad, Colo. (1/2-15)**

Oct. 25 filed 119,431 shares (\$5 par) common. **Underwriter**—Sills, Minton & Co. Price by amendment. **Proceeds**—Shares are being sold by three stockholders, including J. G. White & Co., Inc., New York, which is selling all of its holdings of such stock. Following the sale of its holdings J. G. White will no longer be parent of Frontier. Company will receive none of the proceeds.

**Glen Industries Inc., Milwaukee, Wis.**

July 31 filed 50,000 shares of \$1.25 cumulative convertible preferred stock series A (\$20 par) and 150,000 shares (10¢ par) common, all issued and outstanding and being sold by eight selling stockholders. **Underwriters**—Van Alstyne Noel & Co. Price by amendment. **Proceeds**—To selling stockholders. Offering temporarily postponed.

**Glencair Mining Co. Ltd., Toronto, Can.**

Oct. 2 filed 300,000 shares (\$1 par) stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—40 cents a share (Canadian Funds). **Proceeds**—For mine development.

**Glensder Textile Corp., New York**

Aug. 28 filed 355,000 shares (\$1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at \$11 a share. Price by amendment. Offering temporarily postponed.

**Grand Canyon-Boulder Dam Tours, Inc., Boulder City, Nev.**

Sept. 3 filed 500,000 shares (\$5 par) capital stock. **Underwriting**—There will be no underwriting but Everett N. Crosby, President and James Manoil, Treasurer, will act as selling agents. **Price**—\$5 a share. **Proceeds**—For refinancing of company and for working capital and funds for development and construction program.

**Griggs, Cooper & Co., St. Paul, Minn.**

Sept. 3 (letter of notification) 12,000 shares (\$1 par) common. **Underwriters**—Kalman & Co., Inc., St. Paul. **Price**—\$25 a share. **Proceeds**—For improvement and modernization program. Offering indefinitely postponed.

**GROLIER Society, Inc., New York**

July 29 filed 18,500 shares at \$4.25 cumulative preferred stock (\$100 par), with non-detachable common stock purchase warrants entitling registered holders of shares of the \$4.25 preferred to purchase at any time 64,750 shares of common stock at \$16 a share at the ratio of 3½ common shares for each preferred share held; and 120,000 shares of \$1 par common stock. **Underwriters**—H. M. Bylesby and Co., Inc. **Offering**—Underwriters to purchase from the company 18,500 shares of preferred and 20,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. Prices, preferred \$100 a share; common \$14 a share. **Proceeds**—To retire \$6 cumulative preferred, pay notes, discharge a loan. Offering temporarily postponed.

**Gulf Atlantic Transport'n Co., Jacksonville, Fla.**

Jan. 17 filed 270,000 shares of common stock (par \$1). **Underwriters**—Blair & Co. **Offering**—Stock is being offered to present shareholders at \$3 per share. Holders of approximately 200,000 shares have agreed to waive their preemptive rights. Offering date indefinite.

**Hammond Instrument Co., Chicago**

Aug. 8 filed 80,000 shares (\$1 par) common. **Underwriter**—Paul H. Davies & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an estimated cost of \$213,258, exclusive of accrued dividends. It also will use approximately \$402,000 toward the purchase of a manufacturing plant in Chicago; balance for working capital. Offering date indefinite.

**Harman (William H.) Corp., Phila. (1/2-15)**

Nov. 13 filed 300,000 shares of capital stock. **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Will be applied to the purchase and installation of machinery and equipment and to the carrying of inventories and receivables. Additional working capital is expected to be made available under a credit agreement with the Chase National Bank.

**Hartfield Stores, Inc., Los Angeles**

June 27 filed 100,000 shares (\$1 par) common stock. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at \$8 a share. **Proceeds**—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

**Health Institute, Inc., Hot Springs, N. Mex.**

Dec. 16, filed 50,000 shares (\$10 par) 5½% cumulative prior preferred and 50,000 shares (\$10 par) common. **Underwriting**—None. **Offering**—All of the preferred and 40,000 shares of the common will be offered publicly. Of the remaining common, 9,998 shares will be issued to Charles J. Van Ruska in payment for promotional services and a 99-year lease on real estate assigned to the company, and one share each will be issued to Tom A. Corbett and Emil M. Van Sant for services. All three men are officers of the company. **Price**—\$10.15 a preferred share and \$10 a common share. **Proceeds**—Proceeds will be used to build and equip hotel and health facilities and to acquire a mineral water supply. **Business**—Operation of health resort.

**Helene Curtis Industries, Inc., Chicago**

Dec. 5 filed 60,000 shares (\$5 par) 50-cent cumulative convertible preferred. Series A, and 120,000 shares (\$1 par) common, reserved for conversion of preferred. **Underwriter**—Simons, Linburn & Co. **Offering**—Company will offer 40,000 shares of preferred to employees at \$9.50 a share and 20,000 shares to the public at \$10 a share. **Proceeds**—To be added to general corporate funds. **Business**—Beauty supplies.

**Hollywood Colorfilm Corp., Burbank, Calif.**

Oct. 16 (letter of notification) 119,500 shares of (\$1 par) capital. Price, \$3 a share. No underwriting contract, however, 55,000 shares to be issued to or through H. R. O'Neil of Buckley Bros., Los Angeles, will be sold by one or more of the following firms: Buckley Bros., Durand & Co., Tucson, Ariz.; J. Earle May & Co., Palo Alto, Calif.

**Holt (Henry) & Co., Inc., New York**

June 28, 1946 filed 20,000 shares of 4½% (\$25 par) cumulative convertible preferred stock and 33,884 shares (\$1 par) common stock. **Underwriters**—Otis & Co., Cleveland, Ohio. **Offering**—Company is selling the preferred shares and stockholders are selling the common shares. **Price**—\$25 a share of preferred. Price for the common by amendment. **Proceeds**—Net proceeds will be added to general funds. Offering date indefinite.

**Hy-Grade Supply Co., Oklahoma City**

Dec. 3 (letter of notification) 54,350 shares of cum. conv. preferred and 50,000 common stock purchase warrants. **Price**—\$5.50 a preferred share and 2 cents a warrant. **Underwriter**—Amos Treat & Co., New York. To exercise options for purchase of five variety stores, to retire notes and for working capital.

**Illinois Power Co., Decatur, Ill.**

June 17, filed 200,000 shares (\$50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc. and Mellon Securities Corp. (jointly) and Morgan Stanley & Co. and W. E. Hutton & Co. (jointly). **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

**International Dress Co., Inc., New York**

Aug. 28 filed 140,000 shares of common stock (par \$1). **Underwriter**—Otis & Co. **Offering**—Price \$10 per share. **Proceeds**—Selling stockholders will receive proceeds. Offering date indefinite.

**Johnson Power-On Transmission Corp. of Ill., Chicago**

Dec. 12 (letter of notification) 5,252 shares of common (\$10 par). Price—\$10 a share. No underwriting. For improvement and development expenses.

**Kingsport Press, Inc., New York (12/24)**

Nov. 14 filed \$1,200,000 4% sinking fund debentures, due 1966 (to be placed privately with an insurance com-

pany) and 55,000 shares (\$2.50 par) common. Underwriter—Alex. Brown & Sons, Baltimore, Md. Price—By amendment. **Proceeds**—Company will receive proceeds from sale of debentures, and common stockholders will receive proceeds from shares. Company will use \$577,500 to redeem 5,500 shares of 5% prior cumulative preferred and \$281,017 to prepay note to Equitable Life Assurance Society of the United States.

#### Kiawago Gold Mines Ltd., Toronto, Canada

Dec. 3 filed 1,000,000 shares (no par) common. Underwriter—Jack Kahn, New York. Price—70 cents a share, the underwriting discount will amount to 21 cents a share. **Proceeds**—For exploration and development of mining property and for administrative expenses.

#### Leader Enterprises, Inc., New York

Sept. 26 (letter of notification) 150,000 shares of (10¢ par) common and 57,000 shares (\$5 par) 6% cumulative convertible preferred, Series A. Price—10 cents a common share and \$5 a preferred share. Underwriter—Gearhart & Co., Inc., New York. **Proceeds**—To replace working capital used to promote new publication called *Fashion Trades* and to provide additional working capital. Offering date indefinite.

#### Mada Yellowknife Gold Mines, Ltd., Toronto

June 7 filed 250,000 shares of capital stock (par 40¢). **Underwriters**—Names to be supplied by amendment. **Offering**—Stock will be offered publicly in the U. S. at 40¢ a share (Canadian money). **Proceeds**—Proceeds, estimated at \$75,000, will be used in operation of the company.

#### Maine Public Service Co., Preque Isle, Me.

June 25 filed 150,000 shares (\$10 par) capital stock. **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co.; Coffin & Burr and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—The shares are being sold by Consolidated Electric and Gas Co., parent of Maine Public Service, in compliance with geographic integration provisions of the Public Utility Holding Company Act.

#### Managed Funds Inc., St. Louis, Mo.

Dec. 3 filed 2,300,000 shares (1¢ par) capital stock. **Underwriter**—Slayton and Co., Inc., St. Louis. Price—\$5 a share. **Proceeds**—For investment.

#### Manning, Maxwell & Moore, Inc. (1/6-47)

Nov. 27 filed 160,000 shares of \$12.50 par common. **Underwriter**—Hornblower & Weeks, New York. Price by amendment. **Proceeds**—Proceeds will be used to repay \$1,000,000 in bank loans with the balance going into general funds.

#### Markley Corp., Meriden, Conn.

Dec. 5 (letter of notification) \$75,000 5% convertible notes (par \$1,000), \$25,000 5% convertible notes (par \$500) and 22,500 warrants for purchase of common. The notes will be sold at face amount and purchasers of each \$1,000 note also will receive warrants for purchase of 140 shares of common and purchasers each \$500 note will receive warrants for purchase of 70 shares of common. Other warrants for purchase of 8,500 shares of common will be sold at five cents a warrant. **Underwriter**—Amos Treat & Co., New York. For payment of certain current indebtedness, purchase equipment and improve plant facilities.

#### May McEwen Kaiser Co., Burlington, N. C.

Aug. 22 filed 175,418 shares (\$1 par) common stock. **Underwriters**—Goldman, Sachs & Co., and Hemphill, Noyes & Co. Price—By amendment. **Proceeds**—Net proceeds go to 11 shareholders who are selling the stock being registered. Offering temporarily postponed.

#### McQuay, Inc., Minneapolis

Dec. 12 (letter of notification) 50,000 shares of common. **Underwriters**—Loewi & Co., Milwaukee; Park-Shaughnessy & Co., St. Paul, Minn.; Bell, Farrell & Stebbins, Inc., Madison; Heronymus & Co., Sheboygan, Wis. Price—\$5.75 a share. **Proceeds**—Working capital.

#### Meyer-Blanke Co., St. Louis, Mo.

Nov. 29 (letter of notification) 1,200 shares (no par) common, 50% on behalf of George A. Meyer Finance Co., St. Louis; and 50% on behalf of Robert L. Blanke, Jr. and Marian Blanke, both of University City, Mo. Price—\$31 a share. **Underwriter**—Smith-Moore & Co., St. Louis.

#### Michigan Gas & Elec. Co., Ashland, Wis.

June 24 filed \$3,500,000 of series A first mortgage bonds, due 1976; 14,000 shares (\$100 par) cumulative preferred stock and 120,000 shares (\$10 par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, \$6 no-par prior lien, 6% preferred and \$6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem \$3,500,000 3 1/4% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of com-

mon and from shares of new preferred not issued in exchange will be used to redeem \$375,000 3 1/2% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

#### Midas Yellowknife Gold Mines Ltd., Toronto, Canada

Oct. 21 filed 1,250,000 shares (\$1 par) common. Underwriter—R. J. Hale, East Aurora, N. Y. **Offering**—Of the total company is selling \$1,000,000 shares and the remaining 250,000 shares are being sold for the account of the principal underwriter, brokers and dealers, which shares they will receive as additional compensation on the basis of 250 shares for every 1,000 shares sold for the company. Price—60 cents a share. The underwriters will receive a discount on the 1,000,000 shares of 15 cents each. **Proceeds**—For exploration and mine development work.

#### Monmouth Park Jockey Club, Oceanport, N. J.

Dec. 5 filed 16,000 shares (\$50 par) 5% cumulative convertible preferred and 633,500 shares (1¢ par) common. **Underwriter**—Unsubscribed shares and additional shares to a total of 315,000 will be purchased by the Monmouth Corp., formed last May to finance construction of the racing plant. **Offering**—Company will offer present common stockholders the right to purchase 387,500 additional common shares at \$4 each in the ratio of 1 1/4 shares for each share held. Price—\$4 a share. **Proceeds**—Part of the funds will be used to redeem 25,200 shares of \$50 par 4% non-cumulative convertible preferred held by Monmouth Corp. A balance due on construction work will be paid by distribution of 14,636 shares of the new preferred to F. H. McGraw & Co. and subcontractors. **Business**—Operation of race track.

#### Monroe Sales Corp., Philadelphia

Nov. 27 (letter of notification) 250 shares (\$100 par) 6% cumulative preferred and 100,000 shares (50¢ par) common. Price—\$100 a preferred share and 50 cents a common share. No underwriting. To carry on business of the corporation as factory representative and dealer.

#### Mountain States Power Co.

June 6 filed 140,614 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman, Ripley & Co.; The First Boston Corp. **Offering**—Shares are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common. **Sale Postponed**—Standard Gas & Electric Co. asked for bids for the purchase of the stock on Sept. 4, but the sale has been temporarily postponed.

#### Murphy (G. C.) Co., McKeesport, Pa.

June 13 filed 250,000 shares of common stock (par \$1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4 1/4% preferred stock at \$109 a share plus dividends. Indefinitely postponed.

#### National Aluminate Corp., Chicago

Sept. 27 filed an unspecified number (\$2.50 par) common shares. **Underwriters**—First Boston Corp., New York, and Lee Higginson Corp., Chicago. Price—By amendment. **Proceeds**—The stock is issued and outstanding and is being sold by shareholders. Names of the selling stockholders and the number of shares to be sold by each will be supplied by amendment.

#### Newburgh Steel Co., Inc., Detroit

Aug. 2 filed 30,000 shares of 6% cumulative convertible preferred (par \$10), and 30,000 common shares (\$1 par). **Underwriters**—Names by amendment. **Offering**—Shares are issued and outstanding and are being sold by Maurice Cohen and Samuel Friedman, President and Secretary-Treasurer, respectively, each selling 15,000 shares of preferred and 15,000 shares of common. Price—\$10 a share for the preferred and \$6 a share for the common.

#### New England Gas and Electric Association

July 11 filed \$22,500,000 20-year collateral trust sinking fund Series A bonds, and a maximum of 1,568,980 common shares (\$5 par). **Underwriters**—By amendment. Bidders may include Halsey, Stuart & Co. Inc. (bonds only), Bear, Stearns & Co. (stock only), First Boston Corp., White, Weld & Co.-Kidder, Peabody & Co. (jointly). **Offering**—Bonds and common stock are being offered in connection with a compromise recapitalization plan approved by the SEC, on June 24, 1946, which among other things provides for the elimination of all outstanding debentures and preferred and common stocks, and for the issuance of \$22,500,000 of bonds and 2,300,000 of new common shares. Bids for the purchase of the bonds and the common stock which were to be received by the company Aug. 13 were withdrawn Aug. 12. An alternate plan filed Nov. 25 with the SEC provides for the issue of 77,625 convertible preferred shares (par \$100) and 1,246,011 common shares (par \$8). Under the proposed plan consolidated funded debt would be practically unchanged from that provided in original plan, the Association to issue \$22,425,000 coll. trust bonds. These bonds and preferred stock may be sold, subject to an exchange offer, to the holders of present debentures on a par for par basis. Present preferred would receive for each share held 8 shares of new common with rights to subscribe to 5 new common shares at \$9 per share. The present plan does not affect the status of

original plan, but determination as to which will be used will be left to the SEC and the court. Hearings on the alternate plan are scheduled by the SEC for Dec. 19.

#### New York State Electric & Gas Corp., Ithaca N. Y.

Oct. 30 filed \$13,000,000 first mortgage bonds, due 1976, and 150,000 shares of (\$100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co. and Smith, Barney & Co. (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly) and Halsey, Stuart & Co. Inc. (bonds only). **Proceeds**—Estimated proceeds of \$28,000,000, together with a \$6,000,000 contribution from NY PA NJ Utilities Co., parent, will be used for redemption of \$13,000,000 of 3 1/4% bonds, due 1964, and 120,000 shares (\$100 par) 5-10% cumulative serial preferred and to finance new constructions.

#### Northern Engraving & Mfg. Co., La Crosse, Wis.

Aug. 29 filed 70,000 shares (\$2 par) common stock. **Underwriter**—Cruttenden & Co. **Offering**—All shares are issued and outstanding and being sold for the account of present holders. Price—\$16 a share. **Proceeds**—To selling stockholders. Offering temporarily delayed.

#### Northern Indiana Public Service Co.

Aug. 28 filed maximum of 384,016 shares of common stock. **Underwriters**—by amendment as shares will be offered under competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Stone & Webster Securities Corp., and Harriman Ripley & Co., Inc. (jointly). Of the shares registered, 182,667 are being sold by Midland Realization Co.; 54,426 by Midland Utilities Co., and 146,923 by Middle West Corp.

#### Nugent's National Stores, Inc., New York

June 21 filed 85,000 shares (\$1 par) common stock. **Underwriters**—Newburger & Hano, and Kobbe, Gearhart & Co., Inc. Price, \$6.75 a share. **Proceeds**—Net proceeds to the company from 62,000 shares, estimated at \$350,200, will be applied as follows: About \$111,300 for retirement of outstanding preferred stock; \$41,649 to purchase 100% of the stock of two affiliates, and balance \$197,000 for other corporate purposes. The proceeds from the other 3,000 shares will go to selling stockholders. Offering temporarily postponed.

#### Ohio Associated Telephone Co.

Sept. 11 filed 35,000 shares (no par) \$2 cumulative preferred. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities, New York. **Offering**—Of the shares registered, 21,000 are being sold by the company and the remaining 14,000 are being sold by General Telephone Corp. Price—By amendment. Offering indefinitely postponed.

#### Ohrbach's Inc., New York (12/19/20-23)

Nov. 27 filed 40,000 shares (\$50 par) cumulative preferred stock series A. **Underwriter**—A. G. Becker & Co., Inc., New York. Price by amendment. **Proceeds**—Company will receive proceeds from the sale of 5,000 shares and five stockholders will receive proceeds from the sale of the remaining 35,000 shares. The company will apply its proceeds to general funds.

#### Old Town Ribbon & Carbon Co. Inc.

Sept. 19 filed 140,900 shares (\$5 par) common. The shares are being sold by three stockholders. **Underwriter**—The First Boston Corp., New York. Price—By amendment.

#### Orange-Crush de Cuba, S. A. (1/2-15)

July 22 filed 125,000 shares (\$1 par) common and 40,000 warrants. **Underwriter**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Price \$4.75 a share. **Proceeds**—Of the total company is selling 37,500 shares and stockholders are selling 87,500 shares. The company will use its proceeds for equipment and working capital.

#### Pacific Power & Light Co., Portland, Ore.

July 10 filed 100,000 shares (\$100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,000 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment.

#### Pacific Telephone & Telegraph Co., San Francisco

Dec. 12 filed 328,125 shares (\$100 par) common. **Underwriting**—None. **Offering**—The shares will be offered for subscription at \$100 a share to common and preferred stockholders of record on Jan. 8, 1947, in ratio of 1 share for each 10 shares (common and/or preferred) then held. Subscription rights will expire Feb. 10, 1947. Price \$100 a share. **Proceeds**—Net proceeds of \$32,728,000 if all rights to subscribe are exercised will be used to reimburse in part the company's treasury funds used for additions and improvements to its telephone plant and plants of its subsidiaries. The balance of proceeds will be used to repay outstanding advances from American Telephone and Telegraph Co., parent. The company said advances from AT&T are expected to approximate \$45,000,000 at the time the proceeds are received.

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(Continued from page 3259)

**Pacific Western Oil Corp., Jersey City (12/20)**  
Dec. 11 (letter of notification) 4,477 shares (\$10 par) capital stock. To be offered for sale to certain employees at a price to be based on the market price but no event higher than \$20 a share. No underwriting. For general corporate purposes.

**Pai Blade Co., Inc., New York**

June 28, 1946 filed 227,500 shares (\$1 par) capital stock. **Underwriters**—F. Eberstadt & Co., Inc. **Offering**—225,000 shares are outstanding and are being sold by 10 stockholders, and 2,500 shares are being sold by A. L. Marlman to all salaried employees. Indefinitely postponed.

**Palmetto Fibre Corp., Washington, D. C.**

August 16 filed 4,000,000 shares (10¢ par) preference stock. **Underwriting**—Tellier & Co., New York. Price 50 cents a share. **Proceeds**—The company will use estimated net proceeds of \$1,473,000 for purchase of a new factory near Punta Gorda, Florida, at a cost of about \$951,928. It will set aside \$150,000 for research and development purposes and the balance will be used as operating capital.

**Peninsular Oil Corp., Ltd., Montreal, Canada**

Sept. 3 filed 600,000 shares of common (par \$1). **Underwriter**—Sabiston Hughes, Ltd., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—Net proceeds will be used to purchase drilling machinery and other equipment.

**Peruvian International Airways, Lima, Peru**

Dec. 5 filed 477,122 shares (\$7 par) 50-cent convertible preferred and 238,561 shares (\$1 par) common. **Underwriter**—None stated. **Offering**—Shares will be offered publicly in units of two shares of convertible preferred and one share of common at \$15 a unit. The company also may offer the shares other than by unit at a price of \$7 a preferred share and \$1 a common share. **Proceeds**—To increase capital for expansion of proposed air route connecting Peru and Montreal, Can.

**Pharis Tire & Rubber Co., Newark, O.**

Sept. 27 filed 100,000 shares (\$20 par) cumulative convertible preferred. **Underwriter**—Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co., New York. **Price**—\$20 a share. **Proceeds**—For payment of loans and to replace working capital expended in purchase of building from RFC and to complete construction of a building.

**Plastic Molded Arts, Inc., New York**

Aug. 27 filed 60,000 shares of preferred stock (\$10 par) and 75,000 shares of common (par 50¢). **Underwriter**—Herrick, Waddell & Co., Inc. **Offering**—Company is offering the preferred stock to the public, while the common is being sold by certain stockholders. **Prices**—Preferred, \$10 a share; common, \$4 a share. **Proceeds**—Proceeds from sale of preferred will be used to purchase equipment, pay bank loans, and other corporate purposes.

**Precision Parts Co. of Ann Arbor, Mich.**

July 5 filed 75,000 shares 5% cumulative convertible preferred stock (\$10 par). **Underwriter**—Van Alstyne, Noel & Co. and associates. Price by amendment. **Proceeds**—Of the net proceeds, \$250,000 will be used to pay 3% notes held by National Bank of Detroit, \$75,000 to reimburse treasury for sums spent in acquisition of the electrical division plant of the company, \$30,000 for construction of space for executive offices in the economy baler plant, and the balance will be deposited with general funds. Offering temporarily postponed.

**Quebec Gold Rocks Exploration Ltd., Montreal**

Nov. 13 filed 100,000 shares (50¢ par) capital stock. **Underwriter**—Robert B. Soden, Montreal, director of company. **Price**—50¢ a share. **Proceeds**—For exploration and development of mining property.

**Realmont Red Lake Gold Mines, Ltd., Toronto, Canada**

Nov. 20 filed 800,000 shares of common stock (\$1 par). **Offering Price**—\$0.60 a share to public. Company has not entered into any underwriting contract. **Proceeds**—Development of mining properties and exploration work.

**Red Owl Stores, Inc., Minneapolis (12/27)**

Nov. 29 filed 15,000 shares (\$100 par) cumulative convertible preferred and 50,000 shares (\$3 par) common. **Underwriters**—Piper, Jaffray & Hopwood and J. M. Dain & Co., Minneapolis. Price by amendment. **Proceeds**—Company expects to use \$800,000 of the proceeds for reduction of its bank loans. Of the remaining proceeds, it will use \$500,000 for equipment of its general office and warehouse being constructed at Hopkins, Minn.; \$300,000 for equipment of warehouses at Green Bay, Wis., and Fargo, N. D., which it expects to construct in the future. Any balance will be used in its modernization and the expansion program.

**Reliance Varnish Co., Louisville, Ky.**

Nov. 20 filed 60,000 shares of common stock (\$2.50 par). **Offering Price**—\$10 a share. **Underwriter**—Bankers Bond Co., and Almstedt Bros., both of Louisville, and Cruttenden & Co., Chicago. Of the total of 60,000 shares, the company is selling 40,000 and seven stockholders are disposing of the remaining 20,000. **Proceeds**—Company will use its proceeds, together with \$500,000 bank loan, to finance paints and varnish plant now under construction.

**Republic Aviation Corp., Farmingdale, N. Y.**

Oct. 9 filed 100,000 shares (\$50 par) convertible preferred stock. **Underwriters**—Hayden, Stone & Co., and Kidder, Peabody & Co. **Price**—By amendment. **Proceeds**—Proceeds, together with bank loans, will be used to increase working capital. Such funds are deemed necessary in view of the additional facilities that company intends to acquire and its large backlog of peace-time business. Dec. 17, it was announced company negotiated bank loans in lieu of public financing.

**Republic Indemnity Co. of America, Tucson, Ariz.**

Dec. 12 filed 20,000 shares (\$10 par) common and 50,000 shares (\$2 par) 50¢ cumulative preferred. **Underwriter**—If company finds it necessary to enter an underwriting agreement, the name of the underwriter will be filed by amendment. **Offering**—The shares will be offered for subscription to common stockholders of record on Jan. 10, 1947, in the ratio of  $\frac{1}{2}$  of a share of new common for each share owned and  $1\frac{1}{2}$  shares of new preferred for each share of common held. Unsubscribed shares will be offered by the company to the public. **Price**—\$30 a common share and \$10 a preferred share. **Proceeds**—The proceeds will be used to augment capital by an additional \$300,000 and surplus by an additional \$800,000 for business expansion purposes. **Business**—The company, which commenced operations last April, is engaged in a general casualty insurance and bonding business.

**Republic Pictures Corp., New York**

Registration originally filed July 31 covered 184,821 shares of \$1 cumulative convertible preferred (\$10 par) and 277,231 shares (50¢ par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

**Rowe Corp., New York**

July 29 filed 100,000 shares common stock. **Underwriters**—Hayden, Stone & Co. **Offering**—The selling stockholders, who include Robert Z. Greene, President, are offering the shares to the public through the underwriters, for their own account. Price, by amendment. Offering date indefinite.

**Santa Cruz (Calif.) Sky Park Airport, Inc.**

Dec. 6 (letter of notification) 53,000 shares (\$1 par) common. Of the total 31,000 shares will be offered publicly at \$1 a share, 16,000 shares will be transferred to Alex. Wilson and Wayne Voights for their interest in Santa Cruz Flying Service, which is a flying field and airport, and 6,000 shares would be issued in cancellation of partnership indebtedness. No underwriting. For operation of airport business.

**7-Up Texas Corp., Houston, Texas**

Oct. 28 filed 71,141 shares (45¢ par) Class A common and 35,441 shares (45¢ par) Class B common. **Underwriting**—The underwriters who are also the selling stockholders are Dempsey-Tegeler Co., St. Louis, Mo.; Dittmar & Co., San Antonio, Tex.; Stifel, Nicolaus & Co., Inc., St. Louis, Mo.; and Rauscher, Pierce & Co., Inc., Dallas, Tex. Price by amendment.

**Shatterproof Glass Corp., Detroit, Mich.**

Oct. 28 filed 280,000 shares (\$1 par) common. **Underwriting**—None. To be sold through brokers on over-the-counter market. **Offering**—The shares are issued and outstanding and are being sold by William B. Chase, President, and members of his family or trusts created by Chase or his wife. **Price**—At market.

**Slick Airways, Inc., San Antonio, Texas**

Dec. 9 filed 500,000 shares (\$10 par) common and options to purchase 175,813 shares of common. **Underwriting**—None. **Offering**—The common shares are to be offered publicly. The options for purchase of the 175,813 shares of common are to be offered to original subscribers of the company's stock. It also will issue options to employees for purchase of 69,875 shares of common. **Price**—\$10 a share. **Proceeds**—For purchase of equipment and for working capital.

**Solar Manufacturing Corp.**

June 14 filed 80,000 shares of \$1.12 $\frac{1}{2}$  cumulative convertible preferred stock, series A (par \$20). **Underwriters**—Van Alstyne, Noel & Co. Price by amendment. **Proceeds**—Net proceeds will be applied for the redemption of outstanding series A convertible preferred stock which are not converted into common stock. Such proceeds also will be used for additional manufacturing facilities in the amount of \$600,000; for additional inventory amounting to \$400,000, and for additional working capital. Offering temporarily postponed.

**Soss Manufacturing Co., Detroit, Mich.**

Sept 3 filed 40,000 shares (\$25 par) 5% cumulative convertible preferred. **Underwriter**—Ames, Emerich & Co., Inc., Chicago. **Offering**—To be offered to common stockholders for subscription at \$25 a share in the ratio of one preferred share for each five shares of common held unsubscribed shares will be sold to underwriters at same price. **Price**—Public offering price of unsubscribed shares by amendment. **Proceeds**—For expansion of plant facilities and for additional working capital. Offering postponed.

**Stix, Baer & Fuller Co., St. Louis**

Aug. 28 filed 102,759 shares common stock (par \$5). **Underwriter**—Goldman, Sachs & Co. **Offering**—Eight selling stockholders are disposing of 62,000 shares, and the company will offer 40,759 shares initially to its preferred and common stockholders. Price by amendment. **Proceeds**—Net proceeds from the sale of the company's shares will be added to its "building construction and improvement fund." Offering date indefinite.

**Stone Container Corp., Chicago**

Oct. 24 filed 300,000 shares of (\$1 par) common. **Underwriter**—Hornblower & Weeks, Chicago. **Offering**—Of the total, company is selling 200,000 shares and stockholders are selling the remaining 100,000 shares. Price by amendment. **Proceeds**—Of net proceeds, company will use \$1,225,000, plus a premium of \$12,250, together with accrued interest, for payment of a bank loan, and \$493,500, together with accrued interest, for discharge of its 10-year 6% debentures. Any balance will be added to working capital.

**Street & Smith Publications, Inc.**

July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

**Swern & Co., Trenton, N. J.**

Aug. 28 filed 195,000 shares common stock (par \$1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—\$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. Offering date indefinite.

**Swift International Co. Ltd., Buenos Aires, Argentine**

Dec. 6 filed deposit certificates for 500,000 shares, par value 15 Argentine gold pesos a share. **Underwriters**—None. **Offering**—The shares will be offered for subscription to stockholders at the rate of one share for each three shares held. The subscription price will be supplied by amendment. Unsubscribed shares will be sold publicly or privately through brokers or dealers at a net price, after customary brokerage commissions, of not less than the offering price to stockholders. Price by amendment. **Proceeds**—Proceeds will be used to reduce outstanding bank loans, to finance additional investments in plant facilities and to provide additional working capital. **Business**—Holding company of subsidiaries engaged in meat packing and allied food lines.

**Sydney County Council, New South Wales, Australia (12/30)**

Dec. 9 filed an unspecified amount of 10-year sinking fund bonds, due Jan. 1, 1957. **Underwriting**—Kidder, Peabody & Co., New York. **Offering**—Terms of the offering by amendment. Price by amendment. **Proceeds**—For redemption at 102 $\frac{3}{4}$  on Feb. 1, 1947, of City of Sydney 25-year \$8,170,000 5 $\frac{1}{2}$ % sinking fund gold bonds, due Dec. 1, 1955. The bonds originally were issued by The Municipal Council of Sydney to provide funds for the extension of its facilities supplying electricity to the City of Sydney. The electric properties of the Municipal Council were assumed by the Sydney County Council in January, 1936.

**Taylor-Graves, Inc., Saybrook, Conn.**

July 12 (letter of notification) 44,300 shares of (\$5 par) cumulative convertible preferred stock and 44,300 shares common stock (par 50¢). **Offering**—Price \$6 a share for preferred and 75 cents a share for common. **Underwriter**—Amos Treat & Co. **Proceeds**—For payment of notes, mortgages and for general corporate purposes. Offering temporarily postponed.

**Tele-Tone Radio Corp., New York**

Aug. 1 filed 210,000 shares of common stock (par 50 cents). **Underwriters**—Hirsch & Co. **Offering**—Company is offering 75,000 of the shares registered. Eleven stockholders are selling 135,000 issued and outstanding shares, for their own account. **Offering**—Price \$6.75 a share. **Options**—Selling stockholders are also selling to the underwriters at 7 cents per option warrant options to purchase 18,000 shares of the issued and outstanding common owned by them. They are also selling to Hallgarten & Co., for \$1,500, plus \$360 as a contribution toward the expenses of issuance, options to purchase an additional 18,000 shares of the issued and outstanding common. **Proceeds**—Net proceeds for the sale of company's 75,000 shares will be used for increasing working capital, with a view to entering the Frequency Modulation and Television fields at an advantageous time. Offering date postponed.

**Toledo (O.) Edison Co.**

Oct. 25 filed \$32,000,000 first mortgage bonds, due 1976, and 160,000 shares of (\$100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc.; and Smith, Barney & Co. Price to be determined by competitive bidding. **Proceeds**—Net proceeds together with \$4,500,000 bank loan and if necessary, the \$5,000,000 to be

contributed by its parent, Cities Service Co., will be used to redeem outstanding debt and preferred stock, involving a payment of \$5,906,590, exclusive of interest and dividends.

#### United States Gypsum Co.

Dec. 11, filed 399,477 common shares (\$20 par). Underwriting—None. Offering—To be offered to stockholders of record Jan. 4 at \$60 per share in ratio of one new share for each three owned. Rights will expire Jan. 31. Proceeds—Will be applied to the contemplated \$42,000,000 plant improvement and construction program.

#### U. S. Television Manufacturing Corp., New York

Nov. 4 filed 300,000 shares (no par) 25c cumulative convertible preferred and 150,000 shares of common (par \$1) to be offered for special purposes. Underwriters—Names by amendment. Price \$5 per share for preferred. Proceeds—For working capital and expansion of business.

#### Universal Corp., Dallas, Texas

Dec. 3 (letter of notification) 30,000 shares (no par) common to be offered to stockholders at \$5 a share in the ratio of one share for each three shares held. Underwriter—Federal Underwriters, Inc., Dallas; and Trinity Bond Investment Corp., Fort Worth. For additional capital.

#### Victory Gold Mines Ltd., Montreal, Canada

Nov. 13 filed 400,000 shares (\$1 par) capital stock. Underwriter—None as yet. Price—25 cents a share. Proceeds—For developing mining property. Business—Acquiring and developing mining properties.

#### Walker Vitamin Products Co., Inc., Mt. Vernon, N. Y. (12/23)

Dec. 13 (letter of notification) 7,000 shares (50¢ par) B stock and 300 shares (50¢ par) A stock, on behalf of Myron Walker, Elizabeth N. Hume, Theodore Blanchard, and Gladys S. Hetherington. Price, \$10.15 a share. Underwriter—Billings, Olcott & Co., New York, as broker. Proceeds go to selling stockholders.

#### West Coast Airlines, Inc., Seattle, Wash.

Sept. 2 filed 245,000 shares (\$1 par) common. Underwriter—Auchincloss, Parker & Redpath, Washington, D. C. Price—\$7 a share. Proceeds—Will be used for payment of various expenses, repayment of bank loans, purchase of equipment and for working capital.

#### Western Air Lines, Inc. (1/13-17)

Nov. 27 filed 1,200,000 shares (\$1 par) capital stock. Underwriter—Dillon, Read & Co. Inc. Price by amendment. Proceeds—Offering consists of an unspecified number of shares being sold by the company and by William A. Coulter, President and Director. The amounts being offered by each will be stated definitely by amendment and the total number of shares presently stated will be reduced if the offering consists of a smaller number of shares. Company will use its proceeds, together with a \$1,000,000 bank loan, toward payment of its promissory notes, aggregating \$3,926,946. In addition the company has obligations amounting to \$1,667,000 which will be paid following the sale of the stock. It anticipates the completion of its equipment and facilities program next year with a required expenditure of about \$8,600,000.

#### White's Auto Stores, Inc. (1/15/47)

Aug. 29 filed 75,000 shares \$1 cumulative convertible preferred stock (\$20 par) and 50,000 shares common stock (par \$1). Underwriters—First Colony Corp. and Childs, Jeffries & Thorndike, Inc. Offering—Company is offering 75,000 shares of preferred; the 50,000 shares of common are outstanding and being sold by four individuals for their own account. Price by amendment. Proceeds—Proceeds from the sale of the preferred stock will be used to provide funds for a wholly-owned subsidiary, retire loans from banks and from White's Employees Profit Sharing Trust, and for additional working capital. Offering date indefinite.

#### Wisconsin Power & Light Co., Madison, Wis.

May 21 filed 550,000 shares (\$10 par) common stock to be sold at competitive bidding. Underwriters—By amendment. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. Proceeds—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

#### Wyatt Fruit Stores, Dallas, Texas

Nov. 12 filed 5,000 shares (par \$100) preferred stock. Underwriter—Rauscher, Pierce & Co. Proceeds—Will be used in part to equip three new cafeterias, to remodel its super markets and to increase working capital.

## Prospective Security Offerings

(NOT YET IN REGISTRATION)  
• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Only "prospectives" reported during the past week are given herewith. Items previously noted are not repeated)

#### • Alabama Great Southern RR.

Dec. 18 reported company has plans under consideration for sale in January of equipment trust certificates for less than \$2,000,000. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

#### • Aluminum Co. of America

Dec. 18 reported company plans to offer in January a new series of preferred shares in exchange for outstanding 6% cumulative preferred stock. A tentative basis of 1 1/10 shares of the new issue for each existing share with a dividend rate lower than 6%, is being considered. The exchange offer is contingent upon approval of 1,000,000 new shares by stockholders at a meeting Dec. 20. If the proposed exchange is approved, the company will retire the 910,756 outstanding shares of 6% preferred by exchange and by redemption at \$110 a share plus accrued dividends. Probable underwriter: The First Boston Corp.

#### • California Eastern Airways, Inc.

Dec. 19 reported new financing for expansion of company's air cargo business possible, with Andre de Saint Phalle & Co. as underwriters.

#### • California Oregon Power Co.

Dec. 4 reported Standard Gas & Electric Co. again preparing to offer its holdings of 312,000 common stock (no par) through competitive bidding. On June 25 last company rejected bids submitted by Blyth & Co., Inc. and The First Boston Corp. (jointly) and Harriman, Ripley & Co., Inc.

#### • Cincinnati, New Orleans & Texas Pacific Ry.

Dec. 16 reported company has under consideration the issuance in January of about \$2,000,000 equipment trust certificates. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

#### • Cities Service Gas Co.

Dec. 10 company official testified before FPC that banking interests had agreed that plans for a \$30,000,000 financing of a proposed additional 405 mile 26-inch line from Grant County, Kan. to Kansas City, were feasible. Company planned to raise \$20,000,000 by issuance of 20-year mortgage bonds and \$10,000,000 through serial bank loans. Probable underwriters include White Weld & Co. The First Boston Corp.; Halsey, Stuart & Co. Inc.

#### • Mountain States Power Co.

Dec. 16 Standard Gas & Electric Co. will offer at competitive bidding its 140,614 common shares of Mountain States Power Co. Date of the offering will be set later. A previous sale, set for Sept. 4, was postponed because of unsettled market conditions. The Securities and Exchange Commission has shortened the customary 10-day period for receiving bids to six days to meet the company's request to take advantage of the most opportune time under existing market conditions to sell the securities. Probable bidders include Blyth & Co., Inc. and The First Boston Corp. (jointly); Harriman, Ripley & Co.; The First Boston Corp.

#### • Moxie Co., Roxbury, Mass.

Dec. 17 stockholders voted to revise the capital structure. Under plan there will be 1,000,000 (no par) shares common authorized in place of the present 513,522 shares of class B common, of which 286,024 are outstanding. The number of convertible preferred and class A preferred shares remains unchanged, although it is indicated that some of these shares may be converted into new common. The unissued common may be issued later at the discretion of directors, without being offered to stockholders.

#### • Northern States Power Co. (Wis.)

Dec. 16 reported company probably will sell a new lower-cost bond issue to replace \$17,325,000 first mortgage 3 1/2%, due 1964. Probable bidders include Smith Barney & Co.; First Boston Corp.; Harriman, Ripley & Co., Inc.; Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.

#### • Oklahoma Gas & Electric Co., Oklahoma City

Dec. 4 Standard Gas & Electric Co. is preparing to sell its holdings of common stock (in accordance with SEC regulations) and company at same time intends to sell approximately 140,000 shares of new common stock, proceeds of which will be used to reimburse treasury and retire bank loan used in redeeming the 7% preferred stock. Probable bidders will include The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Blyth & Co., Inc. (jointly); Harriman, Ripley & Co.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly).

#### • Owens-Illinois Glass Co.

Dec. 12 stockholders voted to increase authorized common stock from 3,000,000 shares to 4,000,000 shares (par \$12.50). Additional shares may be issued later to finance expansion or acquisition of additional assets. Probable underwriters, Kidder, Peabody & Co. and Collin, Norton & Co.

#### • Southwestern Public Service Co.

Dec. 16 reported new financing to provide some \$7,000,000 for construction expenditures for the year 1947 is indicated. Some portion of the funds required is expected to be raised through the offering of additional common stock. Probable bidders include Dillon, Read & Co. Inc.

#### Union Pacific RR. (12/19)

Bids will be received until Dec. 19 (noon) by company at 120 Broadway, New York, for lowest rate at which bidders will provide funds for financing purchase of certain equipment to cost \$6,916,200, to be sold under a conditional sale agreement.

#### • Waitt & Bond, Inc.

Nov. 29 stockholders approved a recapitalization plan designed to eliminate arrears of dividends on the Class A shares, and provide company with additional equity capital for expansion. Plan calls for the consolidation of Waitt & Bond Inc. with the Waitt & Bond Co., a wholly owned subsidiary. Capitalization of the new corporation would consist of 110,000 authorized shares of \$2 cumulative preferred (\$30 par), 600,000 shares (\$1 par) common and 100,000 stock purchase warrants. The plan involves a public offering of new preferred. The company has been negotiating with Reynolds & Co., which has indicated it will underwrite 50,480 shares of new preferred, subject to market conditions at \$30 a share.

UNITED STATES GOVERNMENT,  
STATE, MUNICIPAL AND  
CORPORATE SECURITIES

BLAIR & CO.

INC.

NEW YORK

BOSTON Head Office BUFFALO CHICAGO CLEVELAND  
PHILADELPHIA PITTSBURGH ST. LOUIS

## Observations

(Continued from page 3205)

Christmas conclusion, resulted in an avalanche of agreements, that were technically completed, but which did not settle the core or foundation of basic questions and long-standing rifts.

### Disarmament

Typical of an agreement which though formally reached, has left the results dependent on the future *action*—and not pleasant words—of the interested Powers, is that on disarmament. Despite the fanfare, and the relief that any joint friendly statement at all could be issued on the subject, it unfortunately must be realized that this recurring problem has not been settled; and that effective disarmament still is closely and inextricably intertwined with the political dynamics and behavior attending the differences between the "Have" and the "Have-not" (real or imagined) Powers. It must be remembered that pious talk about rearmament has never been lacking. Under the aegis of the old League of Nations an arms conference was initiated in February, 1932 and lasted for three full years. But practical measures guaranteeing effective execution were never agreed on; and so the well-equipped military aggressions of Hitlerite Germany and Japan tore the world asunder.

Unfortunately it seems that the very fact of the disarmament resolution being passed by unanimous vote is proof of its incoherence, in the context of the present state of East-West affairs. The implementation of the pious resolution and the "formulation of practical measures" is left to that caldron of controversy, the Security Council. The full responsibility is now thrown into the Council's lap for establishing an international police force; for getting all foreign troops out of territories in which they don't belong; and for generally reducing the size of nationally armed forces, and for keeping them so reduced. For the latter, *inspection* is the vital prerequisite; but if inspection, control, and punishment are going to be subject to the Veto in the Council, the entire disarmament program is rendered abortive.

The certainty of future Russian obstruction to continuing effective cooperation along these lines is indicated by Mr. Gromyko's 11th-hour action after the assembly's close in blocking for at least three day's the submission of Mr. Baruch's Atomic Energy Commission report, because of Russian dislike of the provision for vetoes punishment—surely a *sine qua non* of effective control in this field and of disarmament in general.

The controlling East-West rift in disarmament policy, as revealed throughout the debate, is based on the underlying aim of the Soviet to get at our bomb secrets and at the same time to withhold the all-important information about the number of their troops based at home.

So, we must conclude that utopian aims for disarmament to take the place of balanced military might, as the means for keeping the peace, as in the past, actually depend on genuine good will between the important Powers.

\* \* \* \*

Apart from the indicated Russian opposition to continuing inspection, there may well be objection thereto by our next Congress. Not only in the case of atomic energy, but in general armament as well, there may well be popular as well as legislative objection to burrowing into commercial and industrial "know-how" by agents of an international commission.

### The Veto Still With Us

Similarly in the case of the problem of the Veto, which has nettled UN ever since its compromise-adoption in the original Charter, definitive action has been postponed. After long debate, and insistence by Mr. Vishinsky that the would-be abolisers of the Veto are "war-mongers playing the game of the small powers," and that the privilege would not be waived by Moscow, a completely incoherent resolution was adopted. This consisted of a weasel-worded substitution by Australia, merely calling on the Big Five Powers "to consult so that the use of the veto should not impede the work of the Security Council". Hence it is difficult to infer that the Soviet will in the future make an about-face from its previous walk-taking and other manifestations of unilateral control over decisions, particularly when they affect her vital interests.

### Trusteeship Still a "Warm" Problem

In the realm of trusteeship and colonial policy, agreement is as difficult as anywhere. Here, as in other fields, words do not mean what they are obviously saying. For Messrs. Novikov and Vishinsky, in their vigorous and incessant championing of the rights of the world's poor 15,000,000 non-self governing peoples, actually are zealously trying to protect Russia's interest in the worldwide power-politics struggle; while likewise our Mr. Dulles, in his legalistic dialectics over disposition of the former Japanese Islands, is looking out for the United States' "security" in the Pacific, pursuant to the policies of our Navy and War Departments.

Although the Trusteeship Council will hold its first meeting next March 15, the likely happenings there are in great doubt, as Russia has bitterly opposed every one of the eight trustee agreements which have been thus far submitted; holding they are both unconstitutional in terms of the Charter, and generally unfair. These agreements apply to the territories of New Guinea, Ruanda-Urundi, French Togoland, the French and British Cameroons, Western Samoa, British Tanganyika and British Togoland. In fact, Mr. Gromyko has cast considerable doubt whether the Soviet will participate at all in the deliberations of the Council.

And in the long-term agenda in this sector there must be included the ever-present super-nettlesome problem of Palestine, with all its political, social and religious connotations.

### Meddling in Internal Affairs

Agitation for action by the World Organization for interference with the sovereign rights of non-Big Powers, like other issues, is growing more turbulent rather than subsiding. In the case of Spain, not only have the Russian satellites finally gotten UN's Political and Security Committee to recommend the recall of all heads of diplomatic missions from Spain; but Monday night at New York's Madison Square Garden the delegates from Poland, Czechoslovakia and Yugoslavia demanded further future action, even to the extent of sanctions—always an inflammable act. In the case of South Africa,

following the complaint of India, the Assembly passed a vote of censure for racial discrimination.

Apart from the real motives for such interfering actions—whether they be a phase of power-politicking and in what proportion—they set a precedent that is both very dangerous and a guarantee of continuing controversy. Not only is it practical procedure, but it is guaranteed by the Charter, that the Security is to be limited to calling member nations to account for international aggression, and not to interfere in matters of internal administration. If this principle should be abandoned, there will be no future limitation on Big Power agitation for meddling with the internal affairs of small Powers for the former's own individual aims (as the football that has been made of Spain pursuant to the East-West jockeying for territorial position in the Western Mediterranean). And if the South Africa action is to be a precedent, how can UN in the future be stopped from taking similar action against the U. S. for our racial discriminations, or against Russia and other members with authoritarian regimes for pursuing undemocratic action?

Facing with realism the fact that these and lesser issues are still live, is not cold-water throwing, but constructive in guiding public opinion to goad our respective diplomats into future behavior that will lead to a state of world harmony.

## Monetary Fund Announces Initial Par Values of Member Currencies

(Continued from page 3208)

minican Republic. Uruguay is still in the process of determining its par value. The case of the Dominican Republic is one of a country which at the moment has no currency unit of its own. It is in process of setting up a new monetary system, and this is expected to take several more months. Mr. Camille Gutt, Managing Director of the Fund, stated today. Questioned as to the reasons for Brazil's failure to fix a par value at this time, Mr. Gutt's answer was very general and unilluminating.

The Uruguayan Government, which is on the way out, has been proceeding with exceeding caution. Its decision to postpone fixing the par value of its Peso reached the Fund only about half an hour before the deadline. Apparently the present government considers it necessary for the Congress to pass upon the par value.

The Fund won't be ready to begin operations before March 1, Mr. Gutt stated. While he did not discuss the reasons for the delay, it is known that many of the member countries are not yet equipped with the necessary financial machinery, such as the setting up of depositories to do business with the Fund. The Fund cannot very well operate as a World Body if there are important blank spots on the global monetary map, even though under the Fund's Articles of Agreement, that institution may commence operations when it has in hand subscriptions representing 65% of the quotas of the eligible membership.

At any rate, the Fund has decided to postpone commencement of operations until March, presumably in the thought that by then it, as well as the world, will be in a somewhat better condition. It is generally appreciated that the Fund is a rather delicate machine not designed for the storm and stress which still tosses the financial and economic world.

The "Chronicle" is informed that there are no plans as yet to use the authority to establish Fund offices outside of Washington.

Mr. Gutt was at pains to explain to questioners that the announcement of the table of par values does not mean that the Fund guarantees these parities. He said that it is up to the individual members to maintain the parities of their selection. The Fund's duty, he said, is to see that its resources are not imperiled. He made it clear that the Fund considered that it had no choice but to accept the initial parities suggested by the members. Since there is no way of knowing what par value will be suited to the circumstances of any currency at some future date. The world is still too unsettled.

The Fund announcement does

of the Fund—Brazil, China, the Dominican Republic, Greece, Poland, Yugoslavia, France in respect of French Indo China and the Netherlands Indies—have requested, in accordance with Article XX, Section 4 of the Agreement, more time for the determination of their initial par values, and the Fund has agreed. Pending the completion of certain legislative proceedings in Uruguay, the initial par value of its currency has not yet been definitely established.

### Unprecedented Step in Fixing Rates

"This is the first time that a large number of nations have submitted their exchange rates to consideration by an international organization and thus a new phase of international monetary cooperation has begun. The major significance of the present step is not in the particular rate of exchange which are announced, but in the fact that the participating nations have now fully established a regime wherein they are pledged to promote exchange stability, to make no changes in the par values of their currencies, except in accordance with the Fund Agreement, and to assist each other in attaining the general objectives of the Fund.

### Proposed Par Values Accepted

"The initial par values are, in all cases, those which have been proposed by members, and they are based on existing rates of exchange. The acceptance of these rates is not, however, to be interpreted as a guarantee by the Fund that all the rates will remain unchanged. As the Executive Directors of the Fund stated in their first annual report, issued in September: 'We recognize that in some cases the initial par values that are established may later be found incompatible with the maintenance of a balanced international payments position at a high level of domestic economic activity... When this occurs, the Fund will be faced with new problems of adjustment and will have to recognize the unusual circumstances under which the initial par values were determined. It is just at such times that the Fund can be most useful in seeing that necessary exchange adjustments are made in an orderly major and competitive exchange depreciation is avoided.'

### Price and Wage Disparities Recognized

"The Fund realizes that in the present exchange rates there are substantial disparities in price and wage levels among a number of countries. In present circumstances, however, such disparities do not have the same significance as in normal times. For practically all countries, exports are being limited mainly by difficulties of production or transport, and the wide gaps which exist in some countries between the cost of needed imports and the proceeds of exports would not be appreciably narrowed by exchanges in their currency parities.

"In addition, many countries have just begun to recover from the disruption of war, and efforts to restore the productivity of their economies may be expected gradually to bring their cost structures into line with those of other countries. Furthermore, for many countries now concerned with combating inflation, there is a danger that a change in the exchange rate would aggravate the internal tendencies toward inflation.

"In view of all these considerations, the Fund has reached the conclusion that the proper course of action is to accept as initial par value the existing rates of exchange."

## Our Reporter's Report

Investment bankers are looking forward to the New Year as one which will produce an immense run of public utility equity offerings, not so much in the form of new issues, but rather largely a consequence of sales of portfolio issues under the operation of the "death sentence" clause of the Holding Company Act.

Insofar as debt securities for this industry are concerned, the consensus is that new emissions very likely will fall considerably short of the high marks of 1944 and 1945. The reason here is that in many cases the refinancing of higher coupon bonds has been largely completed and demands for new money may be deferred by circumstances which tend to discourage new construction beyond essential needs.

But in the case of equity issues, a compilation contained in a report of the Public Service Securities Committee of the Investment Bankers Assn., lists a total of 21 companies which must divest themselves of certain of their holdings under the law.

While this particular list in itself is not necessarily complete, it means that either through underwriting or by offering of rights to shareholders, these firms must dispose of a total of some 15,000,000 shares of common stock with a market value, at current levels, of approximately \$300,000,000.

And, it is interesting to note, these stocks must be sold through the medium of competitive bidding, which means that the bankers are going to be mighty busy calculating values and markets in the months ahead.

### Cause for Concern

Always standing ready to take advantage of an opportunity to make a dollar, the bankers nevertheless are inclined to fear that much confusion may attend the marketing of this vast volume of stocks unless no precautionary measures are taken.

The IBA group's report suggests that "timing of the sale of these issues is a matter of concern to the investment banking industry, and unless some means can be found to provide an orderly distribution, through no fault of its own the marketing machinery of the industry may not be equal to the task."

It is important, the IBA committed notes, that the management

### SITUATIONS WANTED

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## Over The Counter Trader Available

Nineteen years experience. Good following. Salary or commission, or both. Box M-1211, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.

of the holding companies, collaborating with the Securities and Exchange Commission, develop some program which will result in an orderly process of bringing the issues to market.

### Australians a Success

The marked success which characterized the recent offering of Commonwealth of Australia's 20-year 3 1/2% bonds is expected to encourage the Sydney County Council to prepare for a small new issue shortly.

This undertaking, involving \$8,500,000 of 10-year sinking fund bonds, has already been started through the process and is at present in registration with SEC.

The Commonwealth's \$25,000,000 offering, which was brought to market at a price of 98 1/2, was not long in moving out to investors and has ruled at a sizable premium since.

### Pennsylvania Turnpike 2 1/2

Three banking groups sought the \$46,000,000 issue of new bonds brought out by the Pennsylvania Turnpike Commission on Tuesday but the competition was not too keen, judging by the range of bids.

The successful group paid the commission a price of 100.939 for a 2 1/2% coupon, and proceeded to reoffer the bonds at a price of 102 1/2, with the reception being such as to result in the complete disposition of the loan within a few hours.

The next nearest bid was 100.70 by a group which specified a coupon rate of 2.60%, while the third bid was 100.15 for the same coupon.

### Congestion Clearing

The underwriting fraternity is no longer seriously concerned with the matter of unsold securities which accumulated in the wake of the market's collapse back in September. Good progress has been made in working off such issues.

Reports had been current that such unsold issues were being rapidly whittled away, but it remained for James J. Caffrey, SEC Chairman, to sound the most recent note of reassurance.

Talking to newspapermen at the Florida convention of IBA he was asked about the fiscal condition of underwriter firms and dealers in view of the survey which the agency had conducted, and he said that the findings had been "good" that the total of undigested securities afloat is now well below normal and still going lower.

### SITUATIONS WANTED

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## Dr. Frey Joins Petroleum Institute

After nearly 19 years of government service, Dr. John W. Frey has resigned effective Jan. 31, next, to become Director of the Division of Marketing of the American Petroleum Institute, Acting Director Ralph K. Davies of the Oil and Gas Division announced on Dec. 15. Accepting with regret the resignation of Dr. Frey, who had been one of his special assistants for the past four and a half years, Mr. Davies said in part:

"You have served in the Federal Government over a long period of years—faithfully and with distinction—and I greatly dislike the prospect of the Oil and Gas Division losing your able assistance over the period ahead.

"However, I fully understand your reasons for this action and, in the circumstances, cannot well offer resistance to them. Your new association provides an interesting and challenging field of work and one in which you will continue to be able to contribute to the general welfare."

Dr. Frey, a native of Depue, Ill., was graduated from the University of Chicago in 1919 and the University of Wisconsin in 1926, when he received the degree of Doctor of Philosophy. After engaging in research work for the Bureau of Mines in the summer of 1928, Dr. Frey went to the Bureau of Foreign and Domestic Commerce later the same year, remaining there until 1933, when he became advisor to the Deputy Administrator of the National In-

### DIVIDEND NOTICES

#### AMERICAN MANUFACTURING COMPANY Noble and West Streets Brooklyn, New York

The Board of Directors of the American Manufacturing Company has declared the regular dividend of 25¢ per share and an extra dividend of 25¢ per share on the Common Stock, payable December 31, 1946 to Stockholders of Record at the close of business December 20, 1946. Transfer books will remain open.

ROBERT B. BROWN, Treasurer.

#### Dividend Notice of THE ARUNDEL CORPORATION Baltimore, Md.

The Board of Directors of the Arundel Corporation has this day declared 25 cents per share as the regular quarterly dividend and 50 cents per share as an extra dividend on the no par value stock of the Corporation issued and outstanding, payable on and after December 27, 1946, to the stockholders of record on the Corporation's books at the close of business December 18, 1946.

MARSHALL NORRIS, Secretary.

## American Woolen Company

INCORPORATED

225 FOURTH AVE., NEW YORK 3, N. Y.

At a meeting of the Board of Directors of the American Woolen Company held today, a regular quarterly dividend of \$1.75 per share on the 7% Cumulative Preferred Stock was declared for the three months ending December 31, 1946, payable January 15, 1947 to stockholders of record January 6, 1947.

Checks will be mailed by Guaranty Trust Co. of N. Y., Dividend Disbursing Agent.

F. S. CONNETT,  
Treasurer.

December 18, 1946.



## THE ELECTRIC STORAGE BATTERY COMPANY

### 185th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a final dividend for the year 1946 of one dollar (\$1.00) per share on the Common Stock, payable December 31, 1946, to stockholders of record at the close of business on December 16, 1946. Checks will be mailed.

H. C. ALLAN,  
Secretary and Treasurer

Philadelphia 32, December 6, 1946

ustrial Recovery Act in the marketing section. After assisting in drawing up the Code of Fair Competition for the Petroleum Industry, Dr. Frey was transferred to the Department of Interior, which administered the code. Upon liquidation of the N.I.R.A., Dr. Frey was transferred to the Petroleum Conservation Division of the Department of the Interior. He served as Assistant Director of Refining and Marketing of that Division from April, 1936, until May, 1941, when he was transferred to the Office of Petroleum Coordinator for National Defense as Director of Marketing. In July, 1942, he became Special Assistant to the Deputy Petroleum Coordinator, in the agency which later became the Petroleum Administration for War. Since the liquidation of that wartime agency, Dr. Frey has been completing the official history which will be published early next year.

### DIVIDEND NOTICES

#### CITY INVESTING COMPANY 25 BROAD STREET, NEW YORK 4, N. Y.

December 12, 1946

The Board of Directors has this day declared the regular quarterly dividend of \$1.375 per share on the 5 1/2% Series Cumulative Preferred Stock of the Company, payable on January 1, 1947, to stockholders of record at the close of business on December 23, 1946. Checks will be mailed.

G. F. GUNTHNER, Secretary.

## Army Building Program

Immediate action is to be taken on \$60,069,752 worth of military construction, including building or conversion of 7,713 temporary dwellings, authorized by Army engineers, according to Associated Press Washington advices Dec. 7, which added that material obtained in dismantling war camps would be used for housing units. The War Department estimated that the dwelling construction will meet about 15% of the Army's current needs, at a cost of about \$41,329,500. Construction for research projects will consume the balance of the authorized amount.

### DIVIDEND NOTICES

#### WICHITA RIVER OIL CORPORATION

##### Dividend No. 3

A dividend of Twenty-five cents (25¢) per share will be paid January 15, 1947 on the Common Stock of the Corporation, to stockholders of record at the close of business December 31, 1946.

JOSEPH L. MARTIN, Treasurer

December 13, 1946.



Philip Morris & Co. Ltd. Inc.

"Call for  
PHILIP MORRIS"

New York, N. Y.

December 17, 1946

A regular quarterly dividend of \$1.00 per share on the Cumulative Preferred Stock, 4% Series, and the regular quarterly dividend of 90¢ per share on the Cumulative Preferred Stock, 3.60% Series have been declared payable February 1, 1947 to holders of Preferred Stock of the respective series of record at the close of business on January 15, 1947.

There has also been declared a quarterly dividend of 37 1/2¢ per share on the Common Stock (\$5 Par), payable January 15, 1947 to holders of Common Stock of record at the close of business on January 2, 1947.

Pursuant to a resolution adopted at the Stockholders' Meeting held on July 10, 1945, no Certificate representing a share or shares of Common Stock of the par value of \$10 each is recognized for any purpose, until surrendered, and a Certificate or Certificates for new Common Stock of the par value of \$5 each shall have been issued therefor. Holders of Certificates for shares of Common Stock of the par value of \$10 each are therefore urged to exchange such Certificates, for Certificates for new Common Stock of the par value of \$5 per share, on the basis of two shares of new Common Stock \$5 per share, for each share of Common Stock of the par value of \$10.

L. G. HANSON, Treasurer.

#### THE GARLOCK PACKING COMPANY

December 12, 1946

##### COMMON DIVIDEND No. 282

At a meeting of the Board of Directors, held this day, a quarterly dividend of 25¢ per share was declared on the common stock of the Company, payable December 28, 1946, to stockholders of record at the close of business December 20, 1946.

R. M. WAPLES, Secretary

### REDEMPTION NOTICE

## GREAT NORTHERN RAILWAY COMPANY

### General Mortgage 4 1/2% Gold Bonds, Series E, due July 1, 1977

to be called for redemption July 1, 1947

### NOTICE OF PREPAYMENT

GREAT NORTHERN RAILWAY COMPANY has heretofore irrevocably directed The First National Bank of the City of New York to publish appropriate notices calling for redemption on July 1, 1947 the entire issue of the above mentioned Series E Bonds then outstanding at 105% of principal amount plus accrued interest to said date.

Holders of said Series E Bonds may obtain prepayment of said bonds at the redemption price thereof, viz., 105% of principal amount together with accrued interest to July 1, 1947, by surrendering such bonds with all unmatured appurtenant coupons to The First National Bank of the City of New York, at its office, No. 2 Wall Street, New York 15, New York, on or prior to the close of business December 27, 1946. Payment as aforesaid in respect of bonds so surrendered will be made within five days after the surrender of such bonds.

### GREAT NORTHERN RAILWAY COMPANY

By F. J. GAVIN, President

St. Paul, Minnesota

November 7, 1946

## Wall Street Bankers and Business Analysts Changing Views on Inevitability of Market Bust

(Continued from page 3204)

satisfy their wants made desperate by the shortages created by the war, they declared, was not moving as it should to the market places of the world.

Developments of the last few months—of the last few weeks almost, it could be said—have altered the business picture considerably, however, they point out now. It is probably too early yet, they say, to be really positive about what certain straws in the wind may mean. Some feel confident that another month may reveal more clearly and in sharper outline the actual shape of things to come. That business has given some signs of having turned the proverbial corner away from its major difficulties already is readily admitted by them, however.

To the question often asked, "Where will prices stand in relation to former levels?" One banker gives the reply that the general level of prices will fall—must fall under the pressure of the mountain of goods which is beginning to find its way to market—but that the fall particularly at the points where it occurs, will be healthy. The greatest declines may be expected, he believes, in agriculture, textiles—the soft goods in general—and in some scattered industrial lines, such as small radios produced by not-well-known manufacturers. No decline in prices can be expected, however, in the end products of large-scale heavy industry where costs have risen so, he thinks.

The retail trade, according to another banker, is taking advantage of the heavy business demand for Christmas goods to dispose of all their high cost merchandise now while they can. It remains to be seen, he says, whether in January the merchants place orders with the manufacturers for the more standard type of lower-priced items which in the past have usually been found in great abundance and variety on their shelves. Retail merchants will have to realize, too, among other things, that consumers no longer want to buy such items as men's "sport shirts" in place of the regular white shirts and that certain substitutes to which the public has become accustomed are now more generally preferred than the original products, he points out.

The changed complexion of Congress has given rise to the hope, too, that now much needed revisions of labor legislation can be made without delay. The Wagner Act, it is held, is unwise legislation. Some apprehension exists, however, that the Congressmen may, in haste, pass equally ill-considered revisions tending much too far in the opposite direction. Congress should not pass any law prohibiting the right to strike, for example, one banker believes. What is needed, above all, is legislation that will discourage labor leaders from approaching the conference table with the cockiness and insolence they have often displayed there, it is felt. Employer's property rights should be restored

to their rightful place in the economy, it is thought. Any news concerning the intentions of Congress on labor legislation coming out of Washington is being read avidly by all of Wall Street, one of the bankers points out.

The unions will not be as successful this time in obtaining increases in wage rates should they press for another round of wage demands, the bankers and the analysts predict. Public opinion is stiffening against unreasonable union demands upon management and this influence will surely make itself felt upon such labor-management deliberations concerning pay that may be held during the coming few months, they say. Unions that push their demands too far must figure upon going on strike because management won't give in to their unreasonableness, they point out. Strikes in some of the major industries, of course, could have the effect of destroying the possibility for an immediate improvement in the business outlook, they warn, a fact which could have unfavorable repercussions upon labor as well as upon industry.

With the world demand for goods as great as it is because of the terrific destruction wrought by the war and with the market as restricted in favor of the United States as it is because the war left our productive mechanism intact, the stage is indeed all set for a high level of both production and employment in this country, one analyst reasons. The factories of Germany and Japan especially were razed to the ground in this war, he says, and the economies of these countries may never fully recover. The United States alone of all the major industrial powers really has the necessary facilities today for supplying all the great markets of the world, he is convinced. The foreign business which the industrialists of Germany and Japan used to do, too, the United States can now take over, he thinks.

Improvements in the international political situation also justify greater optimism regarding possible trends in business, one prominent banker holds. The large-scale withdrawal of Russian troops from German and East European territories in general and the failure of the French Communists to seize control of the government, he points out, can only tend to strengthen the hope that some observers have dared to entertain, that the rebuilding of the European economy along traditional lines might proceed without undue delay. If the Russians should decide to withdraw completely from the East European zone, including even the area in and around Yugoslavia, Tito himself might find it difficult to maintain his position, too, he feels. However desirable it may be in Western eyes for Russia to be vacating positions she has held in East Europe, still it is a little puzzling to many observers, he points out, why Russia should be calling her well-fed, well

equipped armies from the lands upon which they have been living back to the home country. So far as French politics is concerned, he feels, January also is the month to watch. French politics can be explosive and developments there will be watched now with more than usual interest, he points out.

In his opinion, too, some concern is being felt over whether England will be able to complete her reconversion process before she exhausts the funds provided by the American loan. Germany will certainly stage a comeback someday, he is sure. Sharing views known to be held in certain informed academic circles, he thinks that it would be impossible to reduce Germany to an agricultural economy. The Morgenthau plan for disposing of Germany is not generally accepted today, he feels. To wipe out German industrialism it would be necessary first to exterminate the German people, he holds.

In recent weeks, too, the decision of Wisconsin to prohibit the sale of the securities of the International Bank within her borders presages ill for the future of American foreign trade, one Wall Street analyst who follows the foreign situation rather carefully points out. In fact, he says, the resignation of Eugene Meyer as President of that Bank is probably a clear-cut indication that he himself feels that the Bank faces a hopeless situation. If so, then his resignation can only give force to the justice of the Wisconsin action, he believes. Certainly, unless the Bank lends money to nations for more constructive purposes than just providing their armies with new uniforms, the money will never be repaid and the bank must surely fail, he is convinced.

Wisconsin might have acted with greater wisdom, however, if she had used her good offices to compel a settlement of some sort by the various countries now looking for financial aid of the old obligations upon which they have defaulted and to insist upon payment at high levels.

## INDEX

For detailed index of  
contents see page 3203

## Old Reorganization Rails Commons & Pfd.

### NEW ISSUES

### FOREIGN SECURITIES

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# The COMMERCIAL and FINANCIAL CHRONICLE

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## President Announces Housing Program Changes

In statement from White House, he relaxes restrictions on new homes for personal occupancy, and on rental projects. Restrictions on non-residential construction and on priorities are eased, but veteran preferences are still retained.

On Dec. 14, President Harry S. Truman released a statement on the Federal Housing Program, in which he revised a number of existing restrictions on both residential and non-residential construction. The text of the President's statement and the proposed program follows:



President Truman

In my recent statement on housing I made it clear that there would be no major modification in the objective of rapidly and adequately housing our veterans. At the same time I emphasized the great need to stimulate rental housing for veterans and pointed out that the overall program must be within the framework of the government's announced policy of relaxing controls.

I am determined that a vigorous housing program will continue to be carried out in 1947.

The techniques we will use are

those that will work today. I am interested in results and I am convinced that this 1947 program will produce results.

The main point of emphasis for 1947 is rental housing. Within the total number of homes to be built, it is of major importance that a maximum number of rental units be provided. We are planning financing and other aids that will encourage builders to produce units for rent.

In 1947 we will continue, at least for some months, the basic limitation order on non-residential construction and the allocation of certain raw materials for the production of housing items. But these will be relaxed or dropped as rapidly as the situation permits. The priority rating system for builders and individuals is being discontinued.

We are also planning to carry through on certain special programs already underway: apprenticeship training; technical research; and above all steps to reduce permanently the cost of housing, most

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from a constructive program supported by the highest order of statesmanship.

For the first time in 14 years the Republican party has emerged

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\*An address by Sen. Byrd prepared for delivery before the 51st Congress of American Industry conducted by the National Association of Manufacturers, New York City, Dec. 5, 1946.

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## "Decide Atomic Bomb—Then Disarm": Byrnes

Secretary of State tells United Nations disarmament must start with major weapons of mass destruction, and that, without any veto, international control should be effective against violations or evasions. Cites failure of nations to meet the Post-World War I Disarmament Agreement, and asserts we desire to prevent and not to win the next war. Furnishes data on U. S. armed forces abroad, and links race for armaments to a race for power.



James F. Byrnes

Secretary of State, James F. Byrnes on the evening of Dec. 14, delivered a formal address in the United Nations Assembly at Flushing Meadows, New York City, in which he stated the position of the United States on general disarmament. The Secretary vigorously defended the principle of general disarmament when backed up by full international control and inspection, but insisted that effective outlawing of the atomic bomb and other weapons of mass destruction must precede any scheme of general disarmament, and he affirmed the position taken by Bernard Baruch, the Chairman of the Atomic Control Commission that, once the outlawing is adopted, there should be no further use of the veto power in the execution of its plan.

The full text of Secretary Byrnes' speech follows:

The United States supports wholeheartedly the proposed resolution which has as its objective a general reduction of armaments with effective safeguards to ensure complying states against the hazards of violations and evasions.

Ever since the close of hostilities it has been the policy of the United States to hasten the return of conditions of peace. We want to enable the fighting men of the United Nations to return to their homes and their families. We want to give the peoples of all lands the chance to rebuild what the war has destroyed.

The tasks of reconstruction require all the human, material and spiritual resources that can be made available.

There need be no concern about the willingness of the American people to do everything within their power to rid themselves and

(Continued on page 3272)

## Responsibilities Of the New Congress

By HON. HARRY F. BYRD\*  
U. S. Senator from Virginia

Senator Byrd urges early abolition of war powers, a simplification of Administrative functions of Federal Government; and a return to road of economy. Holds tax reductions in 1947 unwise and concludes settlement of the labor situation is most serious problem facing the nation. Advocates revision of Wagner Act and outlawing the closed shop.

This is certain: What the next Congress does or does not do may well determine whether we will preserve our institutions of democracy and our American way of life. I think I am not overstating the case in saying that except when in the midst of desperate war, America is faced today with the greatest problems in her history. The solutions we desire can come only



Harry F. Byrd

from a constructive program supported by the highest order of statesmanship.

For the first time in 14 years the Republican party has emerged

(Continued on page 3270)

## As We See It

### EDITORIAL

"Now we shall see what private enterprise can do," advocates of a controlled economy darkly assert after each decontrol step taken by the Administration. "Private enterprise must not fail to show what it can do," business leaders who make public speaking a habit are warning themselves and their colleagues almost daily.

Government has to date fallen far short of really placing business "on its own" in this country, popular ideas to the contrary notwithstanding. A number of important war restrictions remain, and, what is of great importance, vast war powers galore still reside in the executive branch of the Federal Government. Furthermore, New Deal legislation antedating the war and still on the statute books of the nation place business under many serious handicaps.

Some important steps however, have been taken in the direction of freeing private enterprise from the shackles about its wrists, and doubtless more will come along as time passes. We are moving toward a free economy, and the public is being given the impression that it must now look more and more to private enterprise for what it desires—and that it will be quite right and proper to hold private enterprise responsible for whatever the future may bring of an undesirable sort.

### What May Be Expected

It is accordingly none too soon to set our thinking aright concerning what may be reasonably expected of free enterprise, and what must be regarded as beyond the reach of any economic system as it is beyond the reach of any government. The greatest harm could result from misconceptions in this respect, or from failure to grasp fully the nature and extent of limitations imposed by human frailty upon all human endeavor. Should the impossible be ex-

(Continued on page 3268)

## From Washington Ahead of the News

### By CARLISLE BARGERON

The attitude of the conservative Democrats in Washington these days constitutes something of a political phenomenon. You would expect them to be dejected. In the Senate and House they lose their committee chairmanships which aside from the patronage they carry, also influence, in many instances, the power to write the laws. These men will not be sought after, wined and dined, looked up to, as they have in the past. Take a man like Alben Barkley, or Walter George, for example. One gives up the Senate leadership, the other the chairmanship of the committee which will have a powerful say in the new tax law.



Carlisle Bargeron

from talking with these gentlemen that they are as happy, as light-hearted and gay as the incoming Republicans.

The only people downcast, seemingly, in Washington these days are the New Dealers. Apparently they are the only ones who have lost. Their party associates, the conservative Democrats, talk of Nov. 5 as their victory as if they were the Republicans. A man like Harry F. Byrd, Senator from Virginia, who loses the powerful Senate Rules Committee, feels no pain. He is elated.

You would like to think it is sheer patriotism that makes these men feel this way. But that is not the complete answer.

Under the 14-year sway of the New Deal they enjoyed higher estates than they will in the future, but they did not enjoy the estates they were entitled to. The New Dealers subordinated them. Had the former continued to expand they would come completely

(Continued on page 3272)

## Crude—To Say the Least

"The danger signs are clear. Production in recent months has begun to level off at an annual rate substantially below what is needed to utilize our greatly expanded capacity and to meet our peoples' increased requirements for goods and jobs.



Philip Murray

"We are at a turning point in our economic life, in the midst of a boom-and-bust economic psychology. There is not an economist in America who does not predict a bust to follow our present boom. It is purely a question of when the bust will occur.

"The estimates range from the third quarter of 1947 to the early part of 1948. How long the boom will last, or whether the bust can

be prevented, depends upon an intelligent and sound economic approach to the problem.

"It is generally agreed that the bust will occur mainly for two reasons: (1) the level of consumer income is not sufficient to support high demand and high production; (2) prices and profits are at inflated levels.

"The Council of Economic Advisers is charged with the responsibility of maximizing production and employment to provide sufficient purchasing power in the hands of the mass of American consumers. If this present distorted profits picture continues, an economic collapse is bound to occur. The inequitable distribution of our national income which has occurred during the first postwar year must be altered."—Philip Murray to the President's Council of Economic Advisers.

It is almost incredible that such crude reasoning as this could possibly help convince the public that Mr. Murray's men should have higher wages.

Yet . . . .

## The Government's Case for Reducing Cotton Futures Speculative Limits

Ronald C. Callander, Commodity Exchange Authority official, traces changes in commodity exchange procedure since 1939; and adduces data supporting Government's proposals for further limiting individual positions and trading. Cites holdings of large speculative commitments and effect of their liquidation on prices. Explains improvement in trading statistics during past decade.

Following is the Government's case for reducing the existing limits on speculative positions in cotton futures trading, as presented in the hearing before the Commodity Exchange Commission, Washington, Dec. 10, 1946, by Ronald C. Callander. Mr. Callander is Acting Chief of the Trading Section of the Commodity Exchange Authority.

1. By way of introduction my comments will refer to certain changes that have occurred in trading procedure on the exchanges since the last hearing in 1939 and will introduce certain tables of comparative data that have a direct bearing upon the subject of this hearing.
2. The present limitation on speculative positions and trading became effective on Sept. 5, 1940. At that time trading on the New York Cotton Exchange covered a 12-month period; that is trading was permitted 11 months in advance of the spot month. Although there was no definite rule as to the trading period on the New Orleans Cotton Exchange trading for the most part followed the trading months of the New York exchange. Trading on the Chicago Board of Trade also followed the New York exchange.
3. On Oct. 18, 1944, the New York Cotton Exchange extended trading to 18 months so that trading now is permitted 17 months in advance of the spot month. Trading on the New Orleans and Chicago exchanges for the most part follows this pattern.
4. This change in the number of months from 12 to 18 is a 50% increase in the number of futures that can be traded in. As a result of this change it is apparent that the maximum positions and trading permissible under the present limitation of 30,000 bales in any one future has been increased by 50%. It is also obvious that with the present limit applicable to only one future there is no over-all maximum limit, except one based upon the number of futures that can be traded in, and this is determined by exchange rules. Therefore, at the present time the over-all maximum for speculative trading and positions in cotton can be changed by exchange action and not by the Commodity Exchange Commission as provided in the Commodity Exchange Act.
5. The proposal of the Commission to limit positions and trading of one person to 30,000 bales in all futures combined on one market is not a new principle. At the present time a maximum permissible limit for all futures combined is applicable to grains. This limit is 2,000,000 bushels for wheat, corn, oats, and 500,000 bushels for rye.

6. At the time of the first limitation hearing in 1939, the records of the Commodity Exchange Authority relative to trading in cotton futures were considerably limited since compilation of trading statistics only had been started in October, 1937. In this period before the first hearing there were no specific examples of large speculative lines or speculative trading. Evidence was submitted in the first hearing, however, demonstrating that large trades had a definite effect upon price and price relationships.
7. At the present time we have almost 10 years of trading statistics. Statistics compiled by the Commodity Exchange Authority are based on individual trade reports required by law from clearing members, futures commission merchants and from traders subject to reporting requirements.
8. It is from reports submitted by individual traders that the Commodity Exchange Authority follows the trading and commitments of such traders. In cotton any trader holding 5,000 bales or over in any future on one market is required to submit Form 303 reports daily to the Commodity Exchange Authority. In addition to reporting trading and commitments on this form the reporting trader is also required to classify his commitments as to whether speculative, straddling or hedging.
9. I should like to introduce Form 303 as part of this record.
10. I would now like to submit a table entitled, "Cotton futures: open contracts and speculative commitments of large traders on all markets, speculative commitments of over 30,000 bales in New York and New Orleans markets, and comparative prices, for specified dates, January-October 1946."
11. The period covered by this table is from January 1946 through October 1946. This period was selected for several reasons—
  - (a) It reflects the rise of open contracts to high levels; it shows that the increase in aggregate speculative commitments of large traders reached the highest level of any like period since the CEA reports of large traders have been compiled. These figures extend back to 1937.
  - (b) It includes the rise in speculative holdings of certain traders to levels never before reached by any individual speculator since the beginning of our statistics in 1937.
  - (c) Also in this period cotton prices rose to the highest levels since the early 1920's and then had the sharpest and most extensive decline in recent cotton history in the last half of October.
12. Data are shown on a semi-monthly basis, that is on the 15th and last day of each month from January through September 1946 and daily for October 1946, the month in which cotton prices declined so sharply.
13. Price history for this 10-month period is included in this table.
  - (a) Prices showed an almost continuous advance from January to early October, a net rise of over 14 cents a pound for futures and approximately 14½ cents for spot cotton.
  - (b) On Oct. 16, futures prices broke, abruptly declin-
14. Open futures contracts on all markets combined are also included in this table. Open contracts increased from 2,424,600 bales on Jan. 15, to a peak of 4,086,600 bales on Oct. 16. Under the impact of the price decline open contracts by Oct. 31 had declined to 3,470,600 bales. This decline is contrary to the usual trend of open contracts for they ordinarily increase during October, reflecting the marketing of cotton by producers which reaches a peak in October.
15. Commitments classified as speculative by reporting traders are also shown in this table. It will be noted that speculative commitments of large traders in general showed a marked increase from January until the period of the price break, Oct. 15-31. This is true for both long and short commitments, but the long side increased on a much larger scale than the short side of the market.
16. The proposal of the Commission is to limit speculative positions to 30,000 bales in all futures on one market. With this in mind, those speculative accounts of reporting traders of over 30,000 bales in all futures combined are shown in this table. It should be noted that there were no reported short speculative commitments over 30,000 bales in all futures combined. Those accounts that exceeded 30,000 bales were on the long side and are so indicated. Early in the year there was one account whose long speculative position exceeded 30,000 bales in all futures combined. This number was increased to two in August and to three accounts by Oct. 15, the eve of the price break. Futures holdings of these accounts increased from 54,000 bales on Jan. 15 to 226,300 bales on Oct. 16. Two of these accounts were abruptly liquidated as a result of the price break, leaving one account with 30,900 bales speculatively long on Oct. 31.
17. We have also shown in this table the excess of speculative positions over and above 30,000 bales in all futures combined. On Jan. 15, this excess amounted to 24,000 bales. On Oct. 16, this excess amounted to 136,300 bales, the peak. This is the amount of futures contracts that would have been eliminated from the market had the proposed limitation of the Commission been in effect. The subtraction of this amount from the market could scarcely impair the hedging facilities of the market when it is compared to a total of 4,086,600 bales of futures contracts open on Oct. 16.
18. By Oct. 31, after the period of sharp decline, the excess over 30,000 bales amounts to only 900 bales.

### Speculators' Liquidation

19. The facts are that the entire liquidation of two large speculative lines in the three days of price decline on the 16-18, could not be absorbed by the cotton futures markets, and this together with the liquidation of part of these accounts contributed to the drastic price decline.
20. Not only was the existence of these large lines initially a threat to price stability, but once liquidation was touched off the concentrated selling needed to liquidate these accounts greatly accelerated the price decline. Prices responded directly to the selling by these accounts.
21. By the close of the market on Oct. 18, these accounts still were not entirely liquidated.
22. The cotton exchanges were closed on Oct. 19, because of the continued threat of liquidation by these accounts to the price structure, and to give the markets time to determine what to do with the remainder of these large lines. The immediate problem was solved by another cotton firm taking over these lines into their own account.
23. I should like to read a statement which appeared as part of an article in the "Journal of Commerce and Commercial" of New York on Oct. 21, and which I understand was issued to the press on Saturday afternoon, Oct. 19, by the New York Cotton Exchange . . . I now would like to submit this article as part of the record.
24. The fact that the market had to absorb the liquidation of these large lines, and it appeared to be common knowledge that one large speculative line was in distress, also influenced selling by many other accounts. This is another danger of large speculative lines in a market, in that the liquidation of such lines causing a sharp decline impairs other accounts in the market and results in still a larger volume of selling which the market must absorb with still further price effect.

### Effect of Liquidation on Futures Prices

25. Let me sum up the effect of the liquidation of these large lines upon the futures markets and upon prices:
  - (a) Prices broke to the full limit of 2 cents a pound on three consecutive days.
  - (b) The threat of unliquidated lines closed the exchanges on Oct. 19.
  - (c) After three days the markets still had not absorbed all of the liquidation of the two large lines.
  - (d) There is no way to determine how much further prices would have declined if the remainder of a large line had not been taken over by another concern to keep further selling from the market that would have been necessary to liquidate this account.
  - (e) The effect of the liquidation of these large lines impaired margins of other accounts in the market resulting in further selling that forced prices downward. The repercussions of the three day price break were felt in the market for the remainder of October. The uncertainty engendered is reflected by the further price declines on Oct. 28 and 29.

- and the closing of the cotton exchanges on Oct. 26 and Oct. 30.
26. The previous data and comments have dealt with the holding of large speculative commitments and the effect of the liquidation of these commitments upon prices. The reduction in limits now being proposed would also apply to speculative transactions permitted within one trading session.
27. As in the case of net positions the limit on transactions would apply to all futures combined in any one market and would permit maximum transactions of 30,000 bales bought and 30,000 bales sold in any one market during one trading session. Also as in the case of net positions this limit would only apply to speculative transactions. Straddling and hedging operations would not be affected.
28. From some points of view it might be considered that the proposed limit permits too large a volume of speculative
- operations by one person during one trading session. In all previous discussions relating to reductions, however, it has been pointed out that a trader should not be placed in a situation where it is impossible for him to liquidate or to cover his entire line during one trading session.
29. Therefore, it is believed that the proposed limitation on trading is consistent with the proposal which would permit the holding of 30,000 bales long or short. It might be pointed out that this proposal, while permitting the liquidation of 30,000 bales long, would not permit the same trader to then go 30,000 bales short. He could, however, at least theoretically, liquidate a long position of 30,000 bales and then reinstate that position by the purchase of 30,000. Observation of general practice in markets indicates that only few traders have ever taken full advantage of the proposed permissible volume.

## Counters Statement Against Monopoly

Alden A. Potter takes exception to "Chronicle" editorial statement that in any segment of production, monopoly which ignores claims of consumers is not sound or enduring. Points to patent and other "property" monopolies and says argument supports trades union's monopoly position.

Editor, Commercial and Financial Chronicle:

The problem which civilization has made so complex, and so urgent today, is an old one—the problem of property and its protection by government in such a way as to maintain a maximum of incentive to efficiency. As a saver and investor in property, I beg to raise an issue with your editorial for Dec. 5, centered on the following sentence therein:



Alden A. Potter

Any social or economic structure resting upon the foundation of monopoly in any segment of production, monopoly which is in a position to ignore even for a limited period the claims of consumers, is not likely to prove a sound and enduring one.

If this statement will "hold water" then it follows that our patent laws, and the constitutional provision for them, should be repealed, for nothing could be more certain than that these laws do establish a legal "monopoly which is in a position to ignore for a limited period the claims of the consumer" with respect to the patented "segment of production." A patent does exactly as the labor union does under such laws as the Wagner Act, that is, to cover monopoly costs, it holds prices higher than they otherwise would be; and it does this without "pricing itself out of a market." Any attempt to remove all monopoly positions from the economy is precisely in line with what our "liberals" propose when they urge compulsory licensing of patents and even write that plan into the law, as was done in the Atomic Energy Act.

From your statement it would also follow that the Henry George doctrine is correct so that title to land and its rental income is not merely immoral; it is also uneconomic in that full and balanced production and consumption cannot be developed while land is monopolized by "vested interests." If "the claims of consumers" are a valid consideration in an economic argument over the distri-

bution of "income" (production), then there can be no property incomes—no "unearned" dividends—and the Reds are right when they propose production according to ability and consumption according to need; whereupon we encounter the simple fact that, for lack of incentive, this leaves out competition—the very life of trade and industry—because no competition can be developed unless there is something to compete for! Monetary "profits" are of no avail—witness Russia, where property is taboo. In the hope and expectation that intelligence, industry, and thrift will afford a position of security which will not be available to stupidity, indolence, and improvidence, lies the whole moral basis for the system of capitalistic rewards for the cardinal virtues as against the system of communistic "incentives" which are driven to take the form of punishments for the cardinal vice of "sabotaging" production as organized for the sake of "the claims of the consumer," which is to say, of the proletariat!

In fine, your argument precisely supports, instead of gainsaying as it is intended to do, the union's monopoly position. It fails to refute the New Dealers when they say that to avoid the "crises" or depressions of capitalism we must follow the very explicitly stated philosophy of Judge Goldsborough that the Unions are an essential accessory to the "capitalist" system which, otherwise, will be guilty of over-saving and resultant collapse into more or less chronic depression. His argument, upon which the current labor position has been based, is the typically Keynesian one, not of morals (as you state their position), but of economics. It takes a thief to catch a thief, say the judge and his disciples (including Joseph C. Harsh of CBS); that is, we need a labor monopoly to offset a capital monopoly and establish a workable equilibrium in purchasing power as against saving and investment in a "mature" economy, that is, in one that presents only limited opportunity for expansion and cannot be transformed into an "endless frontier" by "saving and investment."

This is precisely the argument

set forth by the Administration in its immediate postwar policy which was so closely coupled with Walter Reuther's assertion that in serving itself by striking to reduce GM's profits and transfer them to the wage fund, the CIO was performing a very necessary public service in preventing a postwar depression. What he was saying and the CIO still says, is just what "The Chronicle," following the dominant majority of the NAM, is saying, to wit, that only "perfect competition" will work and that therefore, whenever it is possible for an employer to pay his workmen more through the bargaining of "free enterprise" without asking his customers more for their product, and still show a "fair" profit on the cost of actual investment, some sort of economic necessity (not "moral obligation") requires that wages be increased to prevent over-saving beyond the offsets afforded in the investment market. Great profits hang like a Sword of Damocles over our Democracy, says Philip Murray; and the obvious remedy is to distribute them into the wage fund in order to prevent capitalism from being stymied by its own "greed" for profits.

Ordinarily—that is, under conditions in which specific fields of monopoly exist in certain factors of production held as property—competition could not arbitrate such issues as those involved in current wage arguments because these are concerned, not with the real contributions made by wage earners in the production process, but rather with the inflationary abrogation of contracts by which wages have been set to correspond with those contributions so as to have the purchasing power to buy them. The attempt to keep down collective bludgeoning by labor with what must prove to be a hypocritical plea for a quite impossible "perfect" competition, has proceeded dangerously far along the "road to serfdom," that is, to abrogation of private property in means of production (other than labor) when it invades the very citadel of the stock market, "The Commercial and Financial Chronicle"! Let me urge that you keep this argument alive in your columns; for ultimately it must be settled in favor of monopoly, i.e., of private property incomes such as are typified in corporate securities, or even in "cartels."

True, "securities" are not too secure in the presence of the "business cycle"; they suffer from the same insecurity as does the wage earner. (Incidentally, the "cycle" is not the worldwide, fatal event that it is alleged to be, but characterizes "sterlingaria" or any similarly organized financial system.) But it is a grave mistake to burn down a house just to roast a pig. Securities can be made more secure, not by fireproofing them, but by preventing the fire and thus serving to secure labor also in its struggle against unemployment on the one hand and inflation on the other.

Bethesda, Md.  
Dec. 10, 1946.

ALDEN A. POTTER

[We are glad to open our columns to this valued reader who finds himself unable to agree with us. We are not quite sure that we understand precisely what his position is at all points, but we are certain that the reader will find what he has to say stimulating.

Of course, we were not using the word "monopoly" in so broad or pervasive sense as he suggests, and the term "segment of production" was not intended to denote a single individual's (or firm's) property—of which the owner naturally has a monopoly in one sense of the word.—Ed.]

## The State of Trade

Total industrial production advanced the past week above that of the week previous, but remained slightly below the high levels that prevailed during the first half of November. Bituminous-coal output rose 9% in the week that ended on the day the strike terminated with production showing a rise of 2,235,000 net tons from 2,050,000 net tons. Steel ingot rate for the week beginning Dec. 9, jumped to 69.8% from 60.2% the

industry and its suppliers, and if shortages and limitations on the use of materials by allocation or import controls are discontinued."

Production in the construction field the past week found building materials still on the upturn, though output of some goods such as heating and plumbing equipment, clay and cast iron pipes and some grades of lumber were below current needs. In the week ended Nov. 30, output of lumber declined nearly 17%, shipments dropped almost 2%, while orders on the other hand, rose slightly more than 2%.

The return of more normal conditions was likewise reflected in output of electricity for the week ended Dec. 7, resulting in electric kilowatt production rising 5% to 4,672,712,000 kwh. from 4,448,193,000 kwh. the week before. Carloadings of revenue freight for the same week showed noticeable improvement following the removal of the freight embargo and increased to 729,084 cars from 660,911 cars, or 10.3% above the preceding week. Paper and paperboard production, too, showed gains for the period, while daily average crude oil output receded to 4,894,750 barrels from 4,794,574 barrels, representing a decline of 2.1%.

The automotive industry the past week witnessed an appreciable increase percentage-wise in automobile production, the rise being 29%, according to Dun & Bradstreet, Inc. to a new postwar high. Turning to Ward's Automotive Reports, physical volume the past week was estimated at 97,860 units, which included 68,970 passenger cars and 24,480 trucks built in this country, and 2,305 cars and 2,105 trucks turned out in the Dominion of Canada.

On Monday of the current week the Automobile Manufacturers Association made public its customary review on the progress of the industry during the past year and due to adverse conditions prevailing throughout the year it was impelled to report little progress. The industry's high hopes last December of output approximating between five and six million units for the first full postwar year fell far below expectations and on the basis of present computations, according to Ward's, the year's end may show a total of 3,288,700 units produced by the industry. This figure would include 2,175,200 cars and 941,300 trucks as United States volume and 91,500 cars and 80,700 trucks for Canada.

Strikes in its major plants, material shortages, government controls and suppliers' strikes, coupled with tie-ups in the coal and steel industry all contributed in a greater or lesser degree to throttle the industry's earnest attempt to return to full production and employment and in its stead losses in the place of profits have been recorded for the year on the balance sheets of the car makers.

Looking ahead in an effort to determine what the prospects for production will be in the coming year, the report of the Automobile Manufacturers Association points out:

"Mounting production in 1947 seemed possible until this year's second coal strike of 17 days forced cutbacks of steel production and dislocation of distribution, whose after effects will be felt in 1947.

"Beyond midyear, 1947, the outlook is more optimistic, provided another 'round of strikes' is not experienced during the year in basic industries, the automobile

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## As We See It

(Continued from first page)

pected of free enterprise, inevitable failure would be all too apt to bring widespread demand from the unthinking for another resort to panaceas, despite the miserable record of all quack remedies the New Deal managers could conjure up in the course of a decade.

Let it be bluntly asserted at the very outset that free enterprise, no more than government, knows how to abolish the so-called business cycle, the alternating up and down movements in general business conditions, the "boom and bust" of the political wiseacres who are fond of colorful language. He who gives the rank and file the impression that business men acting singly or in any other way, no matter how free to act as their discretion directs, can make certain of a constantly expanding economy free from depressions, recessions, unemployment and all other difficulties heretofore encountered in "bad times" is no friend of free enterprise.

It is our profound conviction that free enterprise, left to its own devices (apart from the limited restrictions required to assure fair play and full competition) can and would provide the individual with the good things of life in greater abundance and with greater regularity than any other system invented by or known to man. We should, however, be rather worse than foolish not to recognize that this or any other system under which human beings work, must suffer from the limitations imposed by the fact that human beings are neither perfectly wise nor in possession of all facts. To set a standard for enterprise which is beyond the reach of man or man-made or man-operated systems is, obviously, to foredoom it to a judgment of failure.

### No System Depression Proof

All this is particularly true of any supposition that there will be (or would be) no future recession or depression were we to return to the American way of doing things. The fact is that the threads of events which run through business cycles from crest to crest and from trough to trough are many and obscure. The factual picture of business cycles is far from complete or clear. No living man knows precisely what has in the past happened, particularly what happened first and what happened next, in the typical cycle, if there were a typical cycle. There are many "theories" of the causation of these cycles—most of them developed by theorists who somehow appeared to be little concerned

with the facts—but none of them begin to explain even the facts as now known. Obviously, in such circumstances it is foolhardy—not to use a stronger word—to offer a prescription for the prevention or cure of the business cycle. It is like the witch doctor's prescription for cancer.

Let us be perfectly candid about all this. Such a prescription is futile whether it takes the form of some quack remedy brewed from the discredited economic doctrines of the ages or whether it be based upon the assumption that free enterprise when returned to whatever freedom we permit in the future will operate in a way and with results essentially different from those of the past. What is known as the business cycle seems to us to originate with the faulty judgments, the bad guesses—in fine, the human frailties—of business man, consumer and all other elements in the community. When any political entity undertakes to substitute its judgment for those of these innumerable individuals the resulting hazard is greater, not smaller, but nothing but disappointment can come from expecting perfection from either system.

### No Sudden Cure

About as futile would be an expectation that retirement from its advanced position as manager of the economy will (or would) be followed immediately by a disappearance of the friction, waste, shortages, and all the rest with which the rank and file have been obliged to contend for so long a time. In the first place, government intermeddling has left its mark. Labor unions with complete monopoly in large sections of the economy, unfortunate habits of waiting for a cue from government, uncertainty as to what day government may again step in (so long as power to do so still resides in government), many varieties of maladjustment in prices and other internal relationships, world turmoil, and unrest at home—these and many other unusual difficulties face the economy at the present time, and would face it at least for a period even though business was returned at once to business men.

For our part, we are convinced that business would respond to any opportunity given it in a way to surprise all the doubters, but only disappointment, distrust, and unwarranted loss of prestige could result from expecting the impossible.

## Steel Production Stages Further Substantial Comeback—More Price Adjustments Announced

Steel ingot output this week staged a further substantial comeback from the effects of the coal strike when the industry raised its rate 14.5 points to 85% of rated capacity, according to "The Iron Age," national metalworking paper, which in its issue of today (Dec. 19) further states: "Next week some mills may shut down for the Christmas holidays which would prevent the industry rate from reaching the prestrike level of 91% of capacity."

"While steel company officials view the radio pickup in steel activity with satisfaction, this feeling has not overcome the realization that close to 16,000,000 tons of steel ingot production was lost this year due to steel and coal strikes. It is estimated that total steel ingot output this year will run to approximately 65,900,000 tons or more. Had it not been for the steel and the coal strikes, output would have ranged between 80,000,000 and 83,000,000 ingot tons.

"Over the next few weeks steel consumers and steel producers will have their fingers crossed over the possible outcome of the steel wage negotiations. In direct contrast to its stand at the beginning of this year when the United Steelworkers of America made a flat demand of 25¢-an-hour increase, the union, following policy meetings being held in Pittsburgh this week, is expected to keep its specific wage demand under cover until direct negotiations are begun with steel officials.

"It is a good possibility that Mr. Murray's steelworkers may ask steel management to make the first offer and it is also probable that for the first time since the war began a sincere attempt will be made to carry out real collective bargaining. The steel companies, while in a position to increase prices to the amount necessary in order to compensate for higher wages, may be reluctant to take such action in view of the price adjustments which have been made during the past two weeks.

"While the chances that there will not be a national steel strike in the near future are far better than was the case a year ago, any stalemate between the steel union and the management over what the former considers to be an adequate wage offer could very easily turn the steel labor situation into a very serious one with the definite prospect of a steel industry shutdown. Whether or not conditions become that grave must await the trend of negotiations when the initial meeting between steel officials and union leaders takes place in January.

"Most steel companies early this week had advanced or were about to advance the price of merchant steel bars \$2 a ton and similar action was taken on concrete reinforcing bars.

"The nation's railroads will pay more for their rails and track accessories in 1947, the price of these items having been advanced late last week by some producers and early this week by others. Standard rails over 60 lbs., which a week ago were priced at \$43.39 a net ton are now being sold on the basis of \$2.50 a 100 lbs. or \$50 a net ton, an increase of \$6.61 a ton. Angles and splice bars which a week ago were being sold for \$2.85 a 100 lbs. are now priced at \$3 a 100 lbs. Tie plates were advanced \$5 a ton. The result of the most recent advances has taken

"The Iron Age" finished steel composite price from 2.7212¢ per lb. to 2.7565¢ per lb. or an increase of approximately 71¢ a ton. Because of revisions in extras, the increased price to steel consumers has in many cases been much greater than the change in base prices would indicate.

"Whatever gains steel firms may have made in the past few weeks because of price adjustments have already been affected by higher scrap prices which appeared sud-

denly early this week. At some major centers the price of heavy melting steel has gone up as much as \$4 or \$5 a ton above last week's levels. Dislocation of scrap tonnages was cited in some circles as the principal reason why some consumers decided to step out with higher offers in an effort to quickly garner as much tonnage as possible. Since many scrap consumers had the same idea at the same time and since scrap supplies are not over plentiful an unusual rise in prices materialized.

"As the result of this week's sharp scrap price increases, 'The Iron Age' scrap composite price has moved up from last week's figure of \$25 a gross ton to \$28.17 a ton, an increase of \$3.17 per gross ton. The action which took place in some districts early this week is expected to produce a similar situation in those areas where quotations remained more or less unchanged."

The American Iron and Steel Institute this week announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 83.9% of capacity for the week beginning Dec. 16, compared with 69.8% one week ago, 91.4% one month ago and 83.0% one year ago. This represents an increase of 14.1 points or 20.2% from the preceding week. The operating rate for the week beginning Dec. 16 is equivalent to 1,478,600 tons of steel ingots and castings, compared to 1,230,100 tons one week ago, 1,610,800 tons one month ago and 1,520,300 tons one year ago.

"Steel" of Cleveland, in its summary of latest news developments in the metalworking industry, on Dec. 16 stated in part as follows:

"Steel price adjustments are broadening in scope, both with respect to the number of products and producers involved. Last week advances were reported by leading producers on such items as sheets, strip, tin plate, terne plate, bars, rails, track accessories and pig iron, with additional products under review and apparently scheduled for early advances.

"Users of flat rolled products will pay substantially higher prices for most items in this classification following upward revisions by leading mills in sheet, including galvanized, and strip price schedules. The price changes, effected by revisions of base prices and extras, range from reductions in a few items to sharp increases in others. Comparisons with former quotations are difficult to determine, due to the comprehensive revamping of the flat rolled pricing system, increases being reflected only partly in base prices.

"Higher prices were posted, effective Jan. 1, on tin plate. Contracts for 1947 delivery will be made on the basis of \$5.75 per 100 pound base box, compared with the 1946 contract price of \$5 and the OPA ceiling of \$5.25.

"Apart from scattered increases by smaller independents previously reported, no revisions have been made in such major products as plates and shapes. However, price schedules on these items are under review, particularly with respect to extras, and at least one leading producer has announced an increase of \$2 per ton on hot-rolled bars accompanied by a revision in extras. Reinforcing bars also have been increased in price as have rails and various track accessories.

"Such changes as have been made in the various products to date reflect an effort to bring selling prices more in line with costs and do not anticipate expected cost increases resulting from advances in freight rates, effective Jan. 1; possible higher wage costs which may result from pending labor negotiations. Price adjustments so far have been long under discussion with OPA.

"For the first time since the decontrolling of steel prices, leading warehouses have adjusted their prices in line with mill changes, especially in sheet and strip.

"Meanwhile advances in pig iron have broadened to include practically all producers. A number of ferroalloys have been increased in price, and the price tone of the steel scrap market is stronger. Further advances have been made in low phos scrap and cast grades.

"Meanwhile, steel producers are finding that it will take them several weeks to fully recover from the setback occasioned by the soft coal strike. All interests will enter the new year with substantial order backlog. Certain producers assert arrearages on carbon bars will take them six weeks or longer to work off. The stringency in small sizes of carbon bars is especially pronounced, but some forgers engaged on automotive requirements are not pressing as hard as previously anticipated. Alloy bar shipments remain easy, with January and early February being offered.

"Shape extras continue under review and it would not prove surprising to the trade if revisions were announced in the near future, with the possibility that some base prices may also be changed. To date only one shape mill has changed its base prices, or rather in this case its base equivalent prices, and that was the Phoenix Iron Co., Phoenixville, Pa., as announced a few weeks ago.

"Steel's composite market averages advanced last week to \$64.73 from \$64.45 on finished steel, to \$29.50 from \$27.75 on steelmaking pig iron, and to \$27 from \$24.25 on steelmaking scrap. Semifinished steel price average held unchanged at \$40.60."

## Scientists to Aid Atom Energy Commission

The recently appointed Atomic Energy Commission is to have an Advisory Committee of nine of the nation's most eminent scientists and engineers, headed by President James B. Conant of Harvard University, to advise it on technical aspects of the new source of power, according to Associated Press Washington advices of Dec. 12. Besides Dr. Conant, the other members of the committee appointed by President Truman are:

Lee A. duBridge, President of the California Institute of Technology; Enrico Fermi, Professor of Physics, University of Chicago; J. R. Oppenheimer, wartime director of the Los Alamos Laboratories of the Manhattan District; I. I. Rabi, Professor of Physics, Columbia University; Hartley Rowe, Vice-President of the United Fruit Co.; Glenn T. Seaborg, Chief Radio-Chemist for the Manhattan District at the University of Chicago; Cyril Stanley Smith, Director of the University of Chicago's Institute of Metals; and Hood Worthington, Chemical Engineer for du Pont de Nemours & Co.

This committee is to concentrate on matters relating to materials, production and research, while other groups will be established later to advise the Commission on other technical problems, the President told newsmen.

## Chamber of Commerce of U. S. Outlines 1948 Budget

Estimates range of expenditures from \$20 to \$32 billion. National Defense outlay considered most uncertain, this item ranging from \$5 to \$10 billion.

A 30-page printed pamphlet, captioned "Looking Toward A Balanced Budget," prepared by the Finance Department of the Chamber of Commerce of the United States and approved by its Committee on Federal Finance, is now being distributed.

The document contains basic factual material pertinent to the Committee's recent recommendations for sharp reductions in expenditures to permit a lower level of taxation and a curtailment of the public debt. In addition to reviewing and analyzing Federal receipts and expenditures in the recent years and in the 1947 fiscal year, the report sets up a pro forma budget for 1948. The text of this part of the report follows:

Balancing of the budget for the fiscal year 1948 is the task immediately ahead. Submission of the President's annual budget and other messages upon the convening of the Eightieth Congress in January 1947 will set in motion the new procedures intended to assure a balancing of expenditures against revenues.

Congress will be faced with a three-fold budget problem. To assure a balanced budget it will be necessary to reduce expenditures for the fiscal year substantially below the \$41.5 billion estimated for the current 1947 fiscal year. The operation of present tax laws must be studied to determine what revisions should be made which would be to the advantage of the domestic economy and yet not reduce revenues below the total of essential expenditures. Finally, policies must be decided with respect to the public debt.

Business groups and citizens will have ample opportunity during the early months of 1947 to make known their views on fiscal policies to the committees of Congress as well as to individual Senators and Representatives.

### Expenditures

In reviewing the possibilities of reductions in expenditures in 1948 from the estimated totals for 1947, it is obvious that the largest saving should be in the costs of national defense.

Out of estimated gross expenditures of nearly \$19 billion for national defense in 1947, approximately \$13.2 billion represents costs of the War and Navy Departments. The remaining items include \$2.4 billion for terminal leave pay of enlisted military personnel, about \$700 million for the Maritime Commission and the War Shipping Administration, and about \$2.6 billion for other purposes. The \$2.6 billion embraces the final contribution to UNRRA, defense activities of various de-

### THE 1948 BUDGET—RANGES OF EXPENDITURE ESTIMATES FROM VARIOUS SOURCES FROM A LOW TOTAL OF \$20 BILLION TO A HIGH OF \$32 BILLION

(In billions of dollars)

Possible range of expenditures without national defense, veterans, international finance and debt retirement:

Interest on the public debt	1.0- 1.8
Refunds	1.0- 1.8
Aids to agriculture	0.5- 0.9
Social security, relief, and retirement	1.2- 1.4
Public works	0.8- 1.4
General government	1.0- 2.0
Range for total	9.5-12.5
Addition of national defense and veterans pensions and benefits:	
National defense	5.0-10.0
Veterans pensions and benefits	3.0- 5.0
Range with addition of these items	17.5-27.5
Addition of international finance:	
International finance	1.5- 2.5
Range with addition of this item	19.0-30.0
Addition of debt retirement:	
Debt retirement	1.0- 2.0
Range for grand total of items	20.0-32.0

culture, social security, public works and general government all are subject to considerable variation but the amounts involved are small in comparison with those for national defense, veterans and international finance.

A balanced budget in 1948 would include an item for debt retirement. The amount of this item would depend upon the general budget situation and such program for debt retirement as might be adopted by Congress.

### Goldman Awarded Medal

In ceremonies held at his office on Nov. 22, Secretary of War Robert P. Patterson, on behalf of President Truman, presented the Legion of Merit Medal to Postmaster Albert Goldman of New York for outstanding, meritorious service during World War II, in promptly and efficiently distributing and dispatching—in spite of the then existing difficulties—the greatest continuous volume of mail to the Armed Forces ever handled anywhere at any time, which, it is noted, contributed immeasurably to our final victory by maintaining the high morale of our troops at home and abroad.

Prior to this event, Postmaster Goldman had received letters of commendation from the Secretaries of War and Navy; Admirals J. F. Farley of the U. S. Coast Guard, and Monroe Kelly of the Third Naval District; Major Generals Homer M. Groniger of the Port of Embarkation, and T. B. Larkin of the Second Service Command; and Postmasters General Walker and Hannegan. He has also been the recipient of citations from Mayor LaGuardia on behalf of the City of New York, and others.

With the presentation of the medal, Postmaster Goldman stated that he was accepting it on behalf of his staff, his supervisory force, and the rank and file of the New York Post Office, without whose helpful cooperation the herculean task of moving the mails would not have been possible.

### Kentucky Chain Store Tax Invalidated

It was reported from Frankfort, Ky., on Nov. 29 that the Court of Appeals had in a valid date the State's chain store tax, a source of approximately \$150,000 in annual revenues. The tax is on a sliding scale, Associated Press advices explained, ranging from \$25 a year for each of two to five units operated in a chain up to \$200 per store for all over 250 in a chain.

"Suit filed in 1942 by 30 chain stores operating in Kentucky," the same advices continued, "demanded refund of \$266,000 paid up to that time as license fees, but it was pointed out license fees paid since then would be affected by the final ruling today." The advices added:

"Companies filing the suit ruled upon today were:

"Adam Hat Stores, Inc.; Cannon Shoe Co.; Dejay Stores, Inc.; Edison Bros. Stores, Firestone Tire and Rubber Co.; General Shoe Corp.; B. F. Goodrich Co.; Goodyear Tire and Rubber Co.; W. T. Grant Co.; Great Atlantic & Pacific Tea Co.; H. L. Green Co.; Green United Stores, Inc.; The Interstate Co.; S. S. Kresge Co.; S. H. Kress & Co.; Kroger Grocery and Baking Co.; Lerner Stores Corp.; McCrory Stores Corp.; Melville Shoe Corp.; G. C. Murphy Co.;

"J. J. Newberry Co.; J. C. Penny Co.; Scott-Burr Store Corp.; The Schiff Co.; Sears Roebuck & Co.; Steiden Stores, Inc.; T. P. Taylor & Co.; Walgreen Drug Store, Inc.; Western Auto Supply Co., and F. W. Woolworth Co."

### Textile Economic Bureau Opposes Gov't Interference in Wool Industry

Fallacy of continued Government interference in textile fibers is outlined in a study of the production and supply picture of domestic and foreign wool in the December issue of "Rayon Organon," the statistical review of the Textile Economics Bureau, Inc. It was announced by the Bureau on Dec. 11. The "Organon" points out that "holding a stock of more than 500,000,000 pounds of domestic apparel wool, grease basis, the Commodity Credit Corporation

finds itself strapped by law from selling below parity, and, with parity rising, very little of the domestic stockpile is moving into productive channels.

In its study of the raw wool situation, the "Organon" shows that although United States production of raw wool has declined to the extent that the 1947 clip is estimated at 340,000,000 pounds, grease basis, production in 1942, the peak year, was 459,000,000 pounds. The decrease is attributed in part to the decline in the number of sheep raised, the large stocks of wool held in the country, and the unfavorable price relationship between domestic and foreign wools. United States wool production has declined from a high of 11.8% of the world total in 1935 to a low of 9.7% in 1946. In part, the advices from the "Organon" also state:

"Judging from stocks of wool held by the principal exporting and consuming countries, it is apparent that the current visible stocks of wool are more than ample and that the rate of consumption is not sufficient to balance the supply picture. World carry-over of apparel wool on July 1, 1946 was estimated at 4,958,000,000 pounds, grease basis, 3% less than 1945, but over three times as large as the 1934-1938 average, and one and one-third times the estimated 1946-1947 world total wool production, including carpet wool.

"Exports of raw wool (apparel and carpet classes) by Australia, Argentina, New Zealand, British South Africa and Uruguay during the 1945-1946 season reached a record level of over 2,000,000,000 pounds, actual weight basis, or 76% greater than in the preceding season. During the 1945-1946 season, shipments of wool to the United States by these southern hemisphere producers aggregated over 1,000,000,000 pounds, which constituted half of their total wool exports. In 1939 these countries shipped only 14% of their total exports to the United States.

"While the world consumption of raw wool may continue to exceed prewar levels for some time, the large visible stocks will not in all probability be reduced. The use of wool in foreign countries will no doubt be increased, as evidenced by greater consumption in France and Belgium. On the other hand, wool consumption in the United States, Canada and southern hemisphere countries, which was greatly increased during the war, probably will decline below wartime peaks.

"Beginning in 1943, the government embarked on its first program for the mandatory purchase of the entire United States wool clip. The purpose of the program was to encourage wool production and to support the price of domestic wool. Since its inception, the program has brought about government purchase of approximately 1,200,000,000 pounds domestic wool, grease basis. These purchases were made at an average price of 41.1 cents per pound, grease basis. After adjustment for grade, the average prices received by farmers for their wool during 1943, 1944 and 1945 were 41.6 cents, 42.4 cents, and 41.9 cents. The 1946 price is expected to average about 42 cents.

"As a result of the government's

## President Announces Housing Program Changes

(Continued from first page)

notably by aiding manufacturers of new materials and factory-built homes.

### THE PROGRAM

**Restrictions on Non-Residential Construction**—The completion of homes must continue on an increasing scale. The most important governmental order which enables us to accomplish this purpose is the order limiting non-residential construction. This must be continued. However, there is increasing need for schools and stores and other community facilities in connection with new housing developments, and for certain essential industrial and research projects. Fortunately, we can safely permit some increase in non-housing construction because of the greatly increased volume of building materials. As the supply improves, the order can be relaxed to allow more non-residential construction.

**Permission to Build Homes**—During 1946, a large volume of dwelling units has been put under construction and the completion rate of these homes has been increasing from month to month. Nevertheless, the veterans' need remains extremely urgent and we recognize this by continuing to give veterans preference for every dwelling unit constructed for sale or rent.

However, from now on any person who wishes to build a home for his personal occupancy will be permitted to do so, subject to certain restrictions. This will increase the over-all housing supply and, in many instances, make additional homes available for veterans.

The construction of housing will be authorized by Federal permits. The major restrictions which will be imposed are:

1. The proposed dwelling must be designed for year-round occupancy.

2. The total floor area will be restricted.

3. In the case of rental housing projects, maximum rents, excluding charges for services, will be set at a project average not exceeding \$80 per unit. Rentals will also be established for individual houses built for rental purposes.

The permit system will be simple. It will not be necessary to have sales prices set, or to meet the standards and inspection requirements of the present priority system.

**Priorities**—Priority ratings were necessary in 1946 while building materials were in critically short supply, but the increasing production of building materials coupled with the limitation on non-residential construction and a continued postponement of luxury-type housing make the priority system no longer necessary.

Outstanding priorities with their attendant obligations will be honored, but the issuance of any additional priorities to builders or manufacturers of homes will be discontinued as soon as the permit system gets into operation.

**Allocation of Materials**—The production of critical building materials will require the continued allocation of a few raw materials during the first quarter of 1947. If present high levels of production are maintained, it should be possible to discontinue raw materials allocation at that time.

**Premium Payments**—During 1946, premium payments have been successfully used for increasing the production of many building materials. However, present conditions require a critical review of each of these plans and the continuation of only

those which will result in substantial benefits to housing.

**Guaranteed Markets**—The guaranteed market plans for industrial and prefabricated housing and for new types of materials will be continued. The Reconstruction Finance Corporation will continue to assist manufacturers of such housing and the producers of such materials by financial aid when it is warranted.

**Surplus Property**—For the past few months surplus property has been made available for housing purposes in increasing amounts. Building machinery and building materials and supplies will continue to go to home builders. The demolition program at old Army camps and other installations, another useful source of materials, will also go forward. During the next few months, many surplus buildings will be sold for use at other sites. I am also asking the War Assets Administrator to establish procedures that will facilitate the sale of land and buildings together.

**Export Controls**—Export controls on building materials will be continued until the supply situation warrants their discontinuance. For the present we must limit the quantity of critical materials that can be sent abroad.

**Rental Housing**—More family units must be made available for rent to veterans. They should not be compelled to buy in order to get shelter. To increase the proportion of rental units, we intend to use all available means—new construction, conversion and rehabilitation, and re-use. The great bulk of this task will fall upon private enterprise. We are aiding private enterprise by simplifying and reducing various priority controls and by the measures taken to increase availability of materials. We also plan a number of financial measures that will encourage the construction of rental housing.

**Insured Mortgage Financing**—To provide assurance of continued insured mortgage financing to builders who are planning rental housing, I am making available to the Federal Housing Administration the second billion dollars of Title VI insurance authorization provided for in the Patman Act. This is to be used primarily for rental housing, together with the largest possible share of the first billion dollars directly authorized by Congress. Congress will be asked to advance the termination date of Title VI insured financing authority at least for rental housing, for a period sufficient to accomplish this objective.

**Assistance for Rental Projects**—The qualified FHA personnel freed from duties involved in controls now being removed or relaxed, will be made available to help private sponsors plan rental projects and to expedite processing for insured financing commitments.

The FHA is simplifying procedures and broadening eligibility standards which will expand the field of its operation in rental housing. More types of rental housing will now be eligible for FHA financing.

To remove uncertainty over adequacy of insured financing commitments for rental projects, the FHA will develop a procedure for review and amendment of commitments issued in advance of construction.

To reduce monthly payments and to make possible lower rents, the FHA will extend the term of amortization in its Title VI rental housing commitments beyond the usual 28 years, the amount of extension to be appropriate for the project proposed.

To guard against the possibility of lesser earnings of housing projects after the emergency is met, the FHA will work out with concurrence of lending institutions a set of regulations permitting the adjusting of mortgage terms at subsequent periods in the life of the project.

The National Housing Agency will proceed at once to arrange regional and local meetings of the building industry, including lenders, to canvass rental needs and possibilities in each area, and to develop speedy construction programs.

**New Legislation**—Studies now under way with respect to possible further aids and incentives to rental housing by act of Congress, in addition to previous proposals such as were contained in the Wagner-Ellender-Taft bill, are to be concluded quickly. They will cover the field of cooperative and mutual housing enterprises, yield insurance, possible tax incentives, possible financing advantages and federally aided housing for low income groups.

**Technical Research**—Technical research in new building materials, and new methods of residential construction must be continued. The development of modern building codes must be encouraged. The Federal Government will make its services available to aid private industry and local governments in meeting these objectives.

**Cost Reduction**—Producing decent housing in quantity and at a

cost consistent with reasonable ability of the mass of American families to pay, is a fundamental objective. All possible waste and inefficiency must be removed, including unnecessary governmental restrictions. All possible advantage through adoption and adaptation of new methods, techniques and materials must be utilized. Mass production, applying advantages of prefabrication of varied types and industrialized procedures, offers promise in this direction, and is to be encouraged and assisted in keeping with orderly transition of the whole economy in the remaining reconversion period.

**Labor**—With the housing program in full swing, there may be a serious shortage of manpower in 1947 in the building trades. Therefore, continued efforts will be made to enlarge the present apprentice program and to secure adequate skilled and semi-skilled labor for home construction.

All that I have said thus far deals with the government's part in a vast housing program.

The success of the program however, depends not alone on the Federal Government but on state and local governments, industry, labor and financial institutions. In many communities these groups are already united through their Mayor's Emergency Housing Committees and other organizations to sponsor and build homes for veterans. We, as a Nation, owe the veterans an opportunity to have homes. We will see that they get them.

### Clear the Confusion at Washington

The people voted to clear the confusion at Washington. They want less legislation, less directives, less regulations and less governmental interference with business. The OPA should be abolished as a Federal agency and rent control returned to the States and localities.

The Civilian Production Administration should be abolished, as well as many other agencies and bureaus attempting to control our daily lives. We desperately need a simplification of our governmental machinery, the elimination of needless red tape and overlapping activities, but, as the days go on, as one who has been constantly investigating the governmental bureaus, it appears to me that these agencies are becoming even more confused and conflicting in their actions.

One example illustrates my statement: The vital question of housing. There are actually nine agencies attempting to regulate the housing program.

In the Federal Government there are 1100 main boards, bureaus, agencies and departments at Washington, and hundreds of these have powers conflicting with each other. The almost unbelievable stupidity with which many of these agencies have been administered has created bottlenecks and general confusion that seriously menace our prosperity.

Many people are asking: "Why not try Freedom?" It is time for us to realize that it is only economic freedom combined with hard and steady work that will overcome wartime dislocation and start our country on the road to financial stability.

### Simplify and Economize

Since, and before the election, the Republicans have talked a lot about economy and simplification of the Federal Government. The two go hand in hand. Now we will see what the Republicans will do about it, as they control by working majorities both the Appropriation Committee of the Senate and the House, where appropriation bills are, in effect, actually written.

In this difficult task of establishing economy by a government notoriously wasteful for 14 years, I pledge, as a Democrat, to continue my years of effort for economy and efficiency with all like-minded colleagues whether they be Republicans or Democrats. I have learned from experience that economy is a steady, hard, and unspectacular grind. Let a public man obtain an appropriation out of borrowed funds for his district, and he may return home to be greeted by the town band, but for the returning economist there are often black looks and sometimes hard words. I know something of this.

In recent years the average citizen has been influenced to hold the belief that a grant from Uncle Sam is a gift. They think of the government as a third party, when, in fact, we ourselves are the government. Its wealth is the collective wealth of all our citizens. If our democracy is to survive, the people must support the government and not the government the people. In the final analysis our government can only be operated by the taxes we pay out of the profits of the free enterprise system.

Many officials of the government are seeking to spend more and more money than ever before in our peacetime history. At Washington a public man is liberal in proportion as to how liberal he is with other people's money. Try to prevent the spending of money you do not have, and you are regarded as a tory and reactionary, an economic royalist, and regarded generally as a citizen of the most questionable character. Yet, it is a basic and indisputable fact that no democracy has or can survive if its fiscal solvency is impaired.

## Responsibilities of New Congress

(Continued from first page)

from a party of opposition to one, controlling both branches of Congress and with definite responsibility to correct the things its members have so often criticised. I apprehend that the Republican party will soon realize how much easier it is to criticise than to offer constructive remedies for the things condemned.

Why did the people vote as they did on Nov. 5 in one of the most remarkable demonstrations in our history of the capacity of our representative democracy to express its will in unmistakable fashion on matters of great national concern? It was not a Republican victory in the sense of approval of any program offered by the Republican party, but a vote of protest against the ins due to various policies of government to which the majority of the voters were opposed.

On the Democratic side of both branches of Congress there were those who, while in the minority of their party, did stand against those policies to which the people clearly showed their disapproval. Nearly all of these Democrats, I may say, were reelected, so the mandate of the people to those of us in Congress was not based on political partisanship but it was for certain definite and constructive actions to remove the dangers which they believed confront our democracy.

One thing is clear: The people did not vote for political chaos for the next two years. It is true we have a Democratic President and a Republican Congress, but the people have the right to expect cooperation between the two along with constructive and statesmanlike action for the best interest of our Republic. It was the independent voter that turned the tide of the last election, and it will be the independent voter who will decide the election of 1948. Party lines alone are becoming less and less effective in influencing the voters, so the best politics is to vote and act American. When Congress convenes, if the leadership of either party starts petty, selfish tactics and indulges in political buck-passing and recriminations instead of promoting constructive cooperation in the solution of the great problems before us, I trust

the leaders will be committing political suicide for themselves and for their party, for they will be stabbing their country in the back.

The voters in November gave to our government, both to the President and to the Congress, certain definite mandates which they want carried out by concerted action. In these days of disillusionments, it would be tragic for the people to go through the experience of voting mandates and then see them defeated by political cowardice and petty bickerings. The two parties worked effectively together in complete harmony in establishing an organization for world peace, and we can do the same in the vital domestic problems which need constructive action.

It is a tribute to our form of democracy that after a nationwide political turn-over, we stand before the world today just as we did before the election: United—both Democrats and Republicans—for an effective program of international cooperation to prevent future wars.

In outlining the things I think should be done by the next Congress, I include only those vital issues for which I think the people gave a definite mandate.

### Abolish War Powers

The people gave a mandate that emergency powers have been exercised long enough by the President and that the Congress should resume full Constitutional control of the United States Government as the duly elected representatives of the people. This can be done by the passage of a simple resolution declaring the war at an end. Hostilities ceased 16 months ago but technically we are still at war, and the legislative and constitutional emergency powers of the President are still in effect. As most of these emergency powers exist for six months after legal termination of the war, there will be time to reenact any powers regarded by Congress as necessary for a temporary duration, but let us clear the decks now and reestablish the authority of Congress.

However, the modern self-proclaimed liberals do not hesitate to imperil the very institutions of our government by attempting to continue and expand their schemes of experimentation. Let us remember that the insolvency of a government begins when taxes necessary to support its activities become so high as to result in diminishing returns.

The sentiment for economy must come from the grass roots of our population. Let all know that if we choose high spending we must also choose high taxes.

There is no easy road to economy. The first step must be taken at the ballot box with the election of Congressmen and Senators who believe in economy and who are willing to fight for that principle even at the risk of their own defeat. The opposition of highly organized and powerful minorities who are now beneficiaries of Federal spending must be met. Federal bureaus are always active in opposition to any effort to reduce their power, funds, personnel, and many of these bureaus do not hesitate to use the radio, mails, and other means to disseminate propaganda at public expense, to oppose any retrenchment move that affects them.

Numerous legislative devices have, from time to time, been suggested to curb Federal spending, but, as we live in a democracy and the American people rule our government, the desire for efficiency and economy must come from the people themselves, as I feel assured it does now.

Lump sum appropriations should be avoided by Congress and, in my judgment, a single appropriation bill would be an effective reform in the legislative procedure for making appropriations. When appropriations are made by Congress under such procedure the whole picture would be presented. Then intelligent action could be taken for retrenchment, especially in such items as personnel. The practice now is to bring in perhaps a dozen or more appropriation bills at intervals of weeks and sometimes months and it is impossible to focus public attention on total appropriations which would be more obvious if one bill were presented.

Our colossal debt, and the obligations we have incurred should convince us that our government cannot indefinitely play Santa Claus, both at home and abroad.

#### How to Economize

The opportunity for constructive economy at Washington is as broad as the ocean. It exists in every single agency, bureau and activity of the Federal Government. I favor a strong national defense, but my investigations disclose great and unnecessary waste and extravagance in the activities of both the Army and the Navy. This was unavoidable in war, but in times of peace our military officials should be forced to understand that the support of a strong defense program does not mean a license to squander public money.

The peace time defense budget as requested by the armed forces, beginning July 1, next, is \$2 billions more annually, than the average of all the Federal annual expenditures in the years between 1933 to 1940, and certainly our government could not be accused of being parsimonious in that period.

We now have 2,441,473 Federal civilian employees at home and abroad. This is exclusive of military personnel. After an intensive investigation, the Joint Economy Committee recommends that this force be immediately reduced further by a million or more. This is approximately the number of Federal employees in December, 1941, when Pearl Harbor was attacked.

This required hard and continuous fighting but will save annually in payroll costs at least \$2 billions 500 millions.

From 1934 to 1946 the Federal

Government paid out \$14 billions in direct subsidies to business and agriculture and this does not include Social Security payments and pensions.

Many other billions were paid out in loans made by various government corporations which in effect were, subsidies, as quite a large percentage of these loans will not be repaid, and the amounts so lost will be added to the public debt. In 1946 the direct subsidies paid out totaled \$2 billions 358 millions. All direct subsidies should be repealed. They are wrong in principle. These subsidies are being paid to a large variety of producers, from those producing milk and livestock to those producing copper, lead and zinc.

In the last 12 years the Federal Government expended \$34 billions (all borrowed) for grants in aid to the states. The Federal Government also must pay the whole cost of the war. The states profited financially from these expenditures while the Federal Government was adding daily to its debt.

The states, meanwhile were paying off their indebtedness and increasing their surpluses.

The whole question of grants to states should be carefully scrutinized and drastic reductions made in most items. The Joint Economy Committee has just completed a study of direct subsidies and grants in aid to states. This committee will soon be prepared to furnish, upon request, itemized information and a complete statement of the amount each state receives.

There are still existing 265 agencies and units classified as emergency war agencies, not including those in the Army and Navy. All civilian emergency war agencies should be promptly liquidated. Large sums can be saved in public works as well as in administrative costs. In fact, there is not a single activity of the government or a single agency where in economy could not be profitably exercised to the benefit of the tax payer and without injury to the public service.

#### Believes Tax Reduction in 1947 Unwise

After the most careful consideration I am convinced it would be most dangerous to reduce taxes in 1947. First and foremost the budget must be balanced on a basis so sound that it will remain balanced with provisions for gradual debt retirement. For 14 years we have indulged in an orgy of waste and extravagance unparalleled in all history, resulting in a prodigious public debt. Unless we want to invite financial disaster this must be our last deficit year, and hereafter we must operate on a pay as you go basis.

No one would like to see a general tax reduction more than I but, as burdensome as the existing tax rates are, it is better to continue them for a time until we are definitely on a stable financial basis by a safe margin. Certainly it would be the height of recklessness to reduce taxes until the expenses of government have actually been reduced by legislative enactment.

We must give consideration, also, to the weakness of our present basic tax structure. 87% of our tax revenue in this fiscal year comes from corporate and personal income taxes, and only 13% comes from stable sources. This is a very unsound and volatile condition as shown by the following table which comes from official sources.

Under existing tax rates in the present year, with a national income of \$165 billions, the yield in tax revenue is \$39 billions.

Under existing rates, with a \$125 billions national income the yield is \$27 billions.

From 1934 to 1946 the Federal

Government paid out \$14 billions, \$100 billions national income the yield is \$20 billions.

Under existing rates, with an \$80 billions national income the yield is \$14 billions.

Our Federal expenditures this year will be approximately \$41 billions 600 millions with an estimated deficit of \$2 billions. It can be readily seen that a drop from the present 165 billions national income may create a serious deficit despite economies and continuation of the existing rates of taxation.

What the national income may be in the years ahead no one knows, but we do know that the highest national income before World War II was \$83 billions in 1929, and this ended in a bust. The average national income in the period between 1928 and 1941, inclusive was \$68 billions.

National income is determined by production, and today America's production is in the control of such ruthless labor leaders as John Lewis, Philip Murray, Whitney, Bridges, etc., who, encouraged by legislative and governmental favoritism, have seized power of such magnitude as to be able to interrupt and stop the economic functions of our people.

#### Labor Situation Our Greatest Problem

Without full production we are certain to have an economic collapse yet, today, we witness a coal strike which will not only shut down the industrial life of the nation, if continued, but will starve and freeze our people. Thus we are witnessing the greatest nation on earth approaching anarchy which can be avoided only by use of stern and forceful measures. Our government appears to be unable to enforce its laws and decrees. In appeasing, time and time again, these ruthless labor leaders, we have built up a Frankenstein that threatens to destroy us.

The coal strike has ceased to be a question of miners' wages, welfare funds or working hours. It is a matter of government by law and order or revolution. After years of government surrender to powerful labor leaders we are reaping the harvest in one of the greatest domestic crises this country has ever faced. The government has convicted Lewis but what is being done about coal? Unless mining is resumed immediately people will freeze and suffer indescribable distress.

The President is dealing with a tough customer who is not frightened about going to jail where he will pose before his miners as a persecuted martyr. The closer the American people are to disaster the better John Lewis likes it, for then he can drive a harder bargain.

We have already lost a coal production of 20 million tons, and each work hour the strike continues we lose 300,000 tons more. Jailing and fining John Lewis will not mine coal and neither will fining the miners a dollar a day to be paid into their welfare fund. The government must take measures, no matter how harsh and stern, to get coal without surrendering to Lewis. The longer such strong measures are postponed the more difficult will be the job of saving the American people from a real catastrophe.

Again I urge and appeal to the President to call immediately a special session of Congress, to use all means of telling the people that we are facing an insurrection and that, as the President of the United States, he intends to see that the government does not again surrender to John Lewis. Crush this great national strike, and we will have no others. Surrender now, and we invite economic chaos for a long time to come. To wait until Jan. 3, when the new Congress meets, means

that the country will be on the verge of freezing and millions will be unemployed.

Why does the President keep silent? This great nation—the President and the Congress acting together, and backed by the militant will of the American people—can find means to protect itself. The next Congress, under the new legislative reorganization plan, must spend days in organizing its committees. The present Congress is ready to act. The Case labor reform bill, vetoed by the President, passed both branches of the present Congress by good majorities. Why, then, should the present Congress be distrusted to meet this emergency? What John Lewis fears more than anything else is a Congress in session, backed by an aroused and righteous public indignation. He deliberately timed this strike, calling it on the verge of winter and in the absence of Congress, knowing that before the new Congress assembled conditions would become so unbearable that he could again bludgeon his government with the human misery and economic chaos which he threatens.

As a Democrat I want to say frankly that in my judgment the greatest single factor in the recent overwhelming defeat of my Party was the belief on the part of millions of Americans that the government had yielded so much power to great labor leaders as to build up a labor dictatorship which seriously menaces our future above all else. The result of the election was a mandate from the American people to both Republicans and Democrats to deal firmly and boldly with these influences that threaten our American way of life.

We have built up great labor union trusts controlling the necessities of our life—coal, railroads, steel, shipping, etc.—in short our national economy. Our government broke up monopolies in business years ago, but in doing so labor unions were exempted. What is a greater monopoly than the United Mine Workers? It mines all the coal, it has the closed shop and one man controls it, and without coal our nation cannot function. Never has a more powerful trust existed.

I do not pretend to know all the answers to the problems as to what must be done to control these labor leaders who have such power, but I do know that the conditions that now confront us cannot continue without disaster, and I am anxious to work day and night with the Congress and the President until the answer is found.

It may well be that we can only preserve our security by breaking up great national monopolistic unions so that no one union can destroy our economy. The exemption given labor unions in the Sherman and Clayton Anti-Trust Laws should be cancelled. In this democracy we cannot give special privileges to any group of our citizenship.

The same applies to the Wagner Labor Act. It gives special privileges to labor and these should be promptly removed. Some seem to think that the Wagner Labor Act is sacrosanct, but I think the time has come to strike directly at the Wagner Labor Act by specific amendments, preserving the right of workers to organize and bargain collectively but not giving to unions special privileges. Mutual responsibility by law must exist in labor contracts. A union, like an employer, must be liable for civil damages in the event of non-performance of contracts or damage to property. Essential industries must be kept in continuous operation. The Corrupt Practices Act should be applied in politics against labor unions as well as in business corporations. The labor unions should be required to incorporate, to hold honest elec-

tions and to account for their funds.

The closed shop should be barred. It is undemocratic in a democratic country. By changing one word in the Wagner Labor Act industry-wide bargaining can be prohibited.

To do this would effectively break up labor's monopolistic control of the essentials of life and this may well be the best and simplest way to destroy the power of these great labor leaders who are dealing so cruelly with the American people.

## Brunie Elected Pres. Of Greater N. Y. Fund

Henry C. Brunie, President and Chairman of the Board of the Empire Trust Company of New York and prominent in financial, industrial and welfare activities in New York City, was recently elected President of the Greater New York Fund at a meeting of the board of directors. Mr. Brunie succeeds Arthur A. Ballantine, who at the same meeting was named Chairman of the Board of Directors in place of Walter S. Gifford. Mr. Gifford in turn was elected Chairman of the Fund's Members Council to succeed James G. Blaine. Mr. Blaine, who remains a member of the board, has been an officer of the Fund continuously since 1938. He has served as President of the Fund, Chairman of the Board of Directors, Chairman of the Members Council and Campaign Chairman. He was instrumental in the organization of the Fund and was one of the incorporators.

In announcing Mr. Brunie's election to the Presidency of the Fund, Mr. Ballantine pointed out that he will be enabled to begin planning at once for the Fund's 10th Annual Campaign next spring. The Fund's annual campaigns provide the channel for business concerns and employee groups, including organized labor, to contribute business' share of the financial support needed by more than 400 local hospitals, health and welfare agencies.

With his elevation to the Chairmanship of the Board, Mr. Ballantine completes four years of service as President of the Fund. During this period each consecutive campaign set a record both in the amount of money contributed and in the number of contributors. About two weeks ago the Fund distributed to 415 participating hospitals, health and welfare agencies the largest sum ever distributed in a single allocation in the Fund's history—\$3,397,918.

For the last six years Mr. Brunie has held important posts in the Fund and in its campaign organizations. In 1940 he was a member of the Committee of Forty which enlisted young business men for service in Fund activities. In 1942, 1943, and 1944, Mr. Brunie was Chairman of the Special Gifts Committee of the campaign and, in the latter year, he also was a member of the Steering Committee of the Members Council and a Vice-Chairman of the campaign. In 1945, he again was a Vice-Chairman of the campaign and Chairman for special gifts. Last February he was elected a Vice-President of the Fund. He is a member of the board of directors.

Mr. Gifford, who now heads the Members Council, has a long record of service with the Fund. He also was one of the signers of the papers of incorporation of the Fund in 1938, and was Honorary Chairman of the original sponsoring committee. He served as Honorary Chairman of the 1939, 1940, 1941 and 1942 campaigns and was Honorary Chairman of the Special Gifts Committee in 1940 and member of that committee in 1943. Since 1942, Mr. Gifford has been Chairman of the Board of Directors and a member of the Members Council.

## Economic Club of New York to Honor Taft

Pressman and Steinkraus will also discuss industrial peace Jan. 9.

Senator Robert A. Taft of Ohio will be guest of honor at the 159th meeting of the Economic Club of New York to be held Thursday evening Jan. 9 at the Hotel Astor, where he will address an expected audience of 2,000 persons on "An Affirmative Program," according to Theodore M. Riehle, President of the Club.

The subject for discussion at the meeting will be "Why Not Industrial Peace?" with Lee Pressman, General Counsel of the CIO, and Herman W. Steinkraus, President and Board Chairman of Bridgeport Brass Company as speakers.

The Economic Club meets four times each Club year at dinner sessions devoted to the discussion

of economic and social questions. Speakers are selected from among the leading exponents of varying points of view on the question before the Club.

Speakers at the first meeting, held last month, were Secretary of the Treasury John W. Snyder and H. W. Prentis, Jr., President of the Armstrong Cork Company. General Dwight D. Eisenhower, guest of honor, also addressed the group following his acceptance of special scroll from Mr. Riehle.

## From Washington Ahead of the News

(Continued from first page)

to throttle the Conservatives. Notwithstanding the latters' positions of influence they would have had it in name only. As it stands, they had little or no part in the shaping of policy the past 14 years.

The books will show they held this high chairmanship or that position of leadership, but their influence on the history of the period was purely negative. To the extent they contributed, they helped prevent matters from being worse, no small contribution, but it was not a positive one. They didn't like their situation. The New Dealers were becoming more offensive to them day by day. They didn't go out of their way to foul their own nests, but only one or two of them took any part in the last two or three national campaigns of their party.

Now, they are seemingly quite happy in the belief that they have regained control of their party. It is to be a minority party, of course, but they prefer being big fish in the little pond that is left, to small fry in the bigger pond that had existed.

There doesn't seem to be much of a political future for them, just the routine day to day opposition and the individual distinction which they enjoy. It is regrettable that the Democratic party can't be a majority party without taking in the multicolored ideological hues with which the Conservatives have nothing in common. But that is the fact. They got some of this realization in the era of Woodrow Wilson. It struck them with severity under Roosevelt.

The party will undoubtedly come back to power again, because as time moves on, its present Conservative influences will die off and the newcomers will again make the tie-up with the radicals and malcontents necessary to victory. They, too, will experience the disillusionment of their predecessors. But for the present, if you want to see the strange spectacle of men happy in defeat, just talk with them.

Inasmuch as the foreigners are supposed these days to be watching our every move, for a ray of light in a darkened world or something of the sort, they must have been considerably perplexed at the attention paid to a report, or perhaps a "study" is the more dignified term, just as mortician sounds better than undertaker—a "study" by youngish economist Bob Nathan.

It is difficult to say what the future holds forth for most of us, but one thing is sure, come what may, that gentleman intends to register his mark. The problem of peoples all over the world seeking self-expression, is no problem to him at all. For whatever it is worth, he knows how to make the headlines like the enemy of evil

## Offer Australia Bonds

A nationwide group of investment banking firms headed by Morgan Stanley & Co. offered on Dec. 16 \$25,000,000 Commonwealth of Australia 20-Year 3 1/2% Bonds, due Dec. 1, 1966 at 98 1/2% and accrued interest to yield 3.30%. This is the second phase of a long-range program in the United States which the Commonwealth is pursuing and which is designed to refund its outstanding callable dollar debt into lower interest-bearing obligations. The previous financing occurred in August of this year when an issue of \$20,000,000 Ten-Year 3 1/4% Bonds were successfully distributed. These 3 1/4% Bonds are currently selling at 101 1/4% to yield 3.05%. The announcement in the matter also said in part:

"Proceeds from the sale of the bonds together with Treasury funds will be applied toward the redemption on Feb. 1, 1947 of \$18,029,500 State of New South Wales External 30-Year 5% Sinking Fund Gold Bonds, due Feb. 1, 1957 and the payment at maturity on Feb. 15, 1947 of \$8,696,000 State of Queensland 25-Year 6% Sinking Fund External Loan Gold Bonds. The new 3 1/2% bonds have a sinking fund of 1% annually commencing June 1, 1947, payable semi-annually in cash or bonds.

The bonds will be redeemable as follows: to and including Dec. 1, 1951 at 103 1/2%; thereafter to and including Dec. 1, 1956 at 101 1/4%; and thereafter at 100%; in each case together with accrued interest. For sinking fund purposes the bonds will be redeemable at 100%, and accrued interest at 100%, and accrued interest.

"The Commonwealth of Australia is a self-governing member of the British Commonwealth of Nations. It comprises the continent of Australia which includes the six states of New South Wales, Victoria, Queensland, South Australia, Western Australia and the island of Tasmania; and the Northern and Australian Capital Territories. The area of Australia is almost as great as that of the United States and four-fifths of that of Canada.

"The Budget Estimate for the current fiscal year provides for a total expenditure of £464 million Australian against revenues of £405 million Australian, leaving a deficit of £59 million which compares with a 1945-46 deficit of £153 million Australian. During the four months ended Oct. 31, 1946 Australia's merchandise exports exceeded merchandise imports by approximately \$130,000,000. While Australia's internal debt has increased since June 30, 1939 to finance war costs, its external debt has been reduced by about £60,000,000 sterling in England and about \$16,000,000 in the United States."

## No. of RR. Employees Up 0.45% to 1,381,977

Employees of Class I railroads of the United States, as of the middle of Nov. 1946, totaled 1,381,977, an increase of 0.45% compared with a month ago and a decrease of 1.77% under the corresponding month last year, according to a report issued by the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission.

A decline under November 1945, is shown in the number of employees for every reporting group with the exception of transportation (other than train, engine, and yard) the transportation (train and engine service), which showed increases of 4.37% and 2.34%, respectively. The percentages of decreases are:

Executives, officials, and staff assistants, 0.13; professional, clerical, and general, 0.88; maintenance of way and structures, 8.60; maintenance of equipment and stores, 2.87; and transportation (yardmasters, switch-tenders, and hostlers), 3.00.

## "Decide Atomic Bomb—Then Disarm": Byrnes

(Continued from first page)

the world of the burden of excessive armaments.

In the recent past the concern of peace-loving nations has not been that America maintained excessive armaments. The concern has been that America failed to maintain adequate armaments to guard the peace.

### U. S. Tried by Disarmament

When Hitler started the world war in September, 1939, Germany had been preparing for war for more than five years. But at that time there were in active service of the United States in the Army, Navy and Air Force only 330,000 men. It was our military weakness, not our military strength, that encouraged Axis aggression.

After World War I, Japan was given a mandate over strategically important islands in the southwest Pacific which bound her to keep those islands demilitarized. Although the evidence showed that Japan was violating the terms of the mandate, the United States delayed in building bases on islands under her sovereignty in the Pacific.

The result was that when the United States was treacherously attacked at Pearl Harbor she had no adequately fortified base in the Pacific between Pearl Harbor and the Philippines.

Japan's covenant not to use the mandated territories as military bases contained no safeguards to insure compliance. Japan's covenant misled the United States, but it did not restrain Japan. That was our mistake. And we do not intend again to make that mistake.

While before World War II the peace-loving nations were seeking peace through disarmament, aggressor nations were building up their armaments. And all the while aggressor nations were building up armaments they were claiming that they were being smothered and encircled by other nations.

While we scrapped battleships, Japan scrapped blueprints. While we reduced our army to the size of a large police force, Germany trained its youth for war.

Too late, those who had taken a leading part in the struggle for general disarmament before World War II discovered that Axis agents were deliberately organizing and supporting disarmament movements in non-Axis countries in order to render those countries powerless to resist their aggression.

Too late, those who had taken a leading part in the struggle for general disarmament discovered that it was not safe to rely upon any disarmament which is not collectively enforced and made a part of a system of collective security.

### Time, Patience and Good Will Required

It will take time, patience and good-will to achieve really effective disarmament. The difficulties are great and the complexities many. The defense needs of states vary greatly. The elements which make up the military strength of states likewise vary greatly and cannot readily be compared or appraised.

Effective disarmament cannot be secured by any simple mathematical rule. Demobilized divisions can be speedily recalled to the colors. But a scrapped plane or a scrapped battleship can never be recommissioned.

Disarmament to be effective must look to the future. It's easy for us now to see what folly it would have been, when gunpowder was discovered, to start disarming by limiting the use of the bow and arrow.

We must see to it that disarmament starts with the major weapons of mass destruction.

We must see to it that disarmament is general and not unilateral.

We must see to it that disarmament rests not upon general promises which are kept by some states and ignored by other states.

We must see to it that disarmament is accompanied by effective safeguards by way of inspection and other means under international control which will protect complying states against the hazards of violations and evasions.

We must see to it that these safeguards are so clear and explicit that there will be no question of the right of complying states, veto or no veto, to take immediate action in defense of the rule of law.

No disarmament system which leaves law-abiding states weak and helpless in face of aggression can ever contribute to world peace and security.

### The Atomic Bomb Control Comes First

But in meeting the problems of disarmament first things should come first. The first task which must be undertaken is the control of atomic energy to insure that it will be used only for human welfare and not for deadly warfare.

There are other weapons of mass destruction, but unless we can meet the challenge of atomic warfare—the most dreadful weapon ever devised—we can never meet the challenge of these other weapons.

The United States, with Britain and Canada, have demonstrated their awareness of the grave responsibility inherent in their discovery of the means of applying atomic energy.

In a world of uncontrolled armaments, atomic energy would be an advantage to the United States for many years to come.

But it is not the desire of the United States to be the leader in an armament race. We prefer to prevent, rather than to win, the next war.

That's why President Truman announced as soon as he knew that the atomic bomb would work, that it was our purpose to collaborate with other nations to insure that atomic energy should not become a threat to world peace.

Shortly thereafter the heads of the three Governments responsible for the discovery of atomic energy met at Washington and urged that the United Nations set up a commission to recommend proposals for the effective international control of atomic energy and of all other instruments of mass destruction.

### Moscow Accord Recalled

One of the primary reasons for my trip to Moscow in December, 1945, was to ask the Soviet Union to join with Britain and Canada in sponsoring a resolution to this effect before the General Assembly.

As soon as the agreement of the Soviet Government was obtained, France and China were also asked, and they agreed to join in sponsoring the resolution. These efforts resulted in the unanimous passage of the resolution by the General Assembly in January, 1946, only six months after the discovery of the atomic bomb.

Long discussion in the United Nations and public debate on the details of the United States proposals have perhaps blurred the real significance and magnitude of the United States initiative.

The resolution was no idle gesture on our part. Having the knowledge of atomic energy and possession of the atomic bomb,

we did not seek to hold it and to threaten the world. We didn't sit back and play for time. We came forward with concrete proposals designed fairly, effectively and practically to carry out the tasks assigned to that commission.

Our proposals when fully operative would leave with the states responsible for the discovery of atomic energy no rights which would not be shared with other members of the United Nations.

Our proposals outlaw the use of atomic weapons and contemplate the disposal of existing atomic weapons.

They set up an international authority with power to prevent the national manufacture and use of atomic weapons for war purposes and to develop atomic energy for human welfare.

Our proposals also provide effective and practical safeguards against violations and evasions. They enable states that keep their pledges to take prompt and collective action against those who violate their pledges.

#### No Diminution of Veto Right

We do not suggest any diminution of the right of veto in the consideration of the treaty governing this subject. We do say that once the treaty has become effective then there can be no recourse to a veto to save an offender from punishment.

We are willing to share our knowledge of atomic weapons with the rest of the world on the condition, and only on the condition, that other nations submit, as we are willing to submit, to internationally controlled inspection and safe guards.

From the statements made in the committees and in the Assembly we have been encouraged to believe that others are willing to likewise submit to international inspection.

If other nations have neither bombs nor the ability to manufacture them it should be easy for them to agree to inspection.

But the world should understand that without collective safeguards there can be no collective disarmament.

The resolution we proposed here urges the expeditious fulfillment by the Atomic Energy Commission of its terms of reference. Those terms include the control not only of atomic energy but the control of other instruments of mass destruction.

With its specific studies and its accumulated experience that commission is best equipped to formulate plans for dealing with major problems of disarmament.

Let us concentrate upon those major weapons and not dissipate our energies on the less important problems of controlling pistols and hand grenades.

If we are really interested in effective disarmament, and not merely in talking about it, we should instruct our representatives on the Atomic Energy Commission to press forward with its constructive proposals. The commission has been at work six months. They can file an interim report next week. I do not want the work of that commission to be side-tracked or sabotaged.

I am glad that the proposed resolution raises in connection with the problem of disarmament the question of disposal of the troops and the justification of their presence on foreign soil. For disarmament necessarily raises the question of the use which may be made of arms and armed forces which are not prohibited. Reducing armaments will not bring peace if the arms and the armed forces that remain are used to undermine collective security.

#### Wants Peace Treaties Concluded

The United States has persistently pressed for the early conclusion of peace treaties with Italy and the ex-satellite states. We want to make possible the

complete withdrawal of troops from those states.

The United States has persistently urged the conclusion of a treaty recognizing the independence of Austria and providing for the withdrawal of foreign troops.

Austria, in our view, is a liberated and not an ex-enemy country. The United States, United Kingdom and Soviet Union, as signers of the Moscow Declaration of 1943, are obligated to relieve her of the burden of occupation at the earliest possible moment.

The United States believes that armed occupation should be strictly limited by the requirements of collective security.

For that reason we proposed to the Council of Foreign Ministers that we should fix agreed ceilings on the occupation forces in Europe. We could not secure agreement this week, but we shall continue our efforts to reduce the occupation forces in Europe. We are also prepared to fix agreed ceilings for the occupation forces in Japan and Korea.

#### U. S. Troop Data

On V-J Day we had over five million troops overseas. We had to send with them extensive supplies and equipment which could not be disposed of overnight.

But despite the tremendous problem of liquidating our extensive overseas war activities, today we have less than 550,000 troops outside of American territory. Most of these troops are in Germany, Japan and the Japanese Islands, Korea, Austria and Venezia Giulia.

The great majority of the troops we have on the territory of the other states outside these occupation areas are supply or administrative personnel. Let me state specifically just what combat troops we have in these other states.

We have a total of 96,000 military personnel in the Philippines but only about 30,000 are combat forces, air and ground, and of these 17,000 are Philippine Scouts. These troops are in the Philippines primarily to back up our forces in Japan. Substantial reductions are contemplated in the near future.

Of the 19,000 troops we have in China, about 15,000 are combat troops and roughly one-half of these are to be under orders to return home.

We have about 1,500 troops in Panama, excluding the Canal Zone. One thousand of these, composed of a small air unit and some radar air warning detachments, can be classified as combat forces. We have, of course, our normal protective forces in the Panama Canal Zone proper.

We have no combat units in countries other than those I have just mentioned.

Our military personnel in Iceland number less than 600 men. They include no combat troops. They are being withdrawn rapidly and all will be withdrawn by early April, 1947, in accordance with our agreement with the Government of Iceland. The military personnel have been there only to maintain one of our air transport lines of communication with our occupation forces in Germany.

In the Azores, on the southern air transport communication line to Germany, we have about 300 men. Again there is not a single combat soldier among them. They are technicians and administrative officials. They are there under agreement with the Government of Portugal.

Our combat troops are in North China at the request of the Chinese National Government. Their task is to assist in carrying out the terms of surrender with respect to the disarming and deportation of the Japanese. Their mission is nearly completed. Instructions have been issued for the return of half of our forces now in China, although the Chinese Government has urged that

they be retained there until conditions become more stabilized.

We have made it clear that our troops will not become participants in civil strife in China. But we are eager to do our part, and we hope other states are eager to do their part, to prevent civil war in China and to promote a unified and democratic China.

A free and independent China is essential to world peace. We cannot ignore or tolerate efforts upon the part of any state to retard the development of the freedom and independence of China.

#### Troops in China Not Threat to Peace

The United States Government repudiates the suggestion that our troops in China or elsewhere, with the consent of the states concerned, are a threat to the internal or external peace of any country.

Because the representative of the Soviet Union has referred to our troops in China, it is fair for me to say that I am confident that the number of American troops in North China are far less than the number of Soviet troops in South Manchuria in the Port Arthur area.

Under the Finnish peace treaty the Soviet Union acquires the right to lease the Porkkala naval base in Finland and maintain troops there. The temporary presence of a few thousand United States troops in China, at the request of that country, certainly raises no essentially different question than the permanent presence of Soviet troops in another country under treaty arrangement.

It is our desire to live up to the letter and the spirit of the Moscow declaration. We do not intend to use our troops on the territories of other states contrary to the purposes and principles of the United Nations.

The implementation of the Moscow declaration is not made easier by loose charges or counter-charges. The declaration requires consultation. That is the method we should pursue if we wish to advance the cause of disarmament and of collective security.

Last December at Moscow we consulted the Soviet Union and the United Kingdom regarding our troops in China. We have now asked for consultation in the Council of Foreign Ministers regarding the number of troops to be retained in Germany, Poland, Austria, Hungary and Rumania upon the conclusion of the peace treaties with the ex-satellite states.

#### Wants Collective Security and Sovereign Equality of all States

The task before us is to maintain collective security with scrupulous regard for the sovereign equality of all states. This involves more than the question of armaments and armed forces. Aggressor nations do not go to war because they are armed but because they want to get with their arms things which other nations will not freely accord to them.

Aggressor nations attack not only because they are armed but because they believe others have not the armed strength to resist them.

Sovereignty can be destroyed not only by armies but by a war of nerves and by organized political penetration.

World peace depends upon what is in our hearts more than upon what is written in our treaties.

Great states must strive for understandings which will not only protect their own legitimate security requirements but also the political independence and integrity of the smaller states.

It is not in the interest of peace and security that the basic power relationship among the great states should depend upon which political party comes to power in Iran, or in Greece or in China.

Great states must not permit differences among themselves to tear asunder the political unity of smaller states. And smaller states must recognize that true collective security requires their cooperation just as much as that of the larger states. Without the cooperation of large states and small states, our disarmament plans are doomed to failure.

A race for armaments, a race for power is not in the interest of any country or of any people. We want to stop the race for armaments and we want to stop the race for power.

We want to be partners with all nations, not to make war, but to keep the peace. We want to uphold the rule of law among nations. We want to promote the freedom and the well-being of all peoples in a friendly civilized world.

#### Comm. Appointments of N. Y. Bankers Ass'n

Appointments to five committees and to an informal study group of the Trust Division, New York State Bankers Association, were announced on Dec. 12 by George C. Barclay, Chairman of the Division, and Vice-President of the City Bank, Farmers Trust Company of New York. Personnel of the Committees and of the study group follow:

#### Committee on Common Trust Funds

Chairman Baldwin Maull,

Vice-President, Marine Midland

Trust Co., New York; William H.

Stackel, Vice-President and Trust

Officer, Security Trust Co.,

Rochester, Thomas F. Cox, Trust

Officer, Bank of New York, New

York; Earl S. MacNeill, Trust Of-

ficer, The Continental Bank &

Trust Company, New York; Hol-

lis S. Pease, Assistant Secretary,

Central Hanover Bank and Trust

Company, New York.

#### Informal Accounting Study Group

Chairman, Robert A. Jones,

Vice-President, Guaranty Trust Co. of New York, New

York; E. W. Durner, Assistant Vice-President, Central Hanover

Bank & Trust Co., New York; C.

T. Smith, Trust Officer, City Bank

Farmers Trust Co., New York;

George F. Sloan, Second Vice-

President, Chase National Bank,

New York; Bruce Percy, Assistant

Trust Officer, Genesee Valley

Trust Co., Rochester; Mark R.

Brinthaup, Trust Officer, Elmira

(N. Y.) Bank and Trust Co.; Irving

Church, Trust Officer, Central

National Bank, Yonkers.

W. Barton Cummings, Vice-President, Chemical Bank & Trust Co., New York; Andrew B. Davison, Vice-President, National Commercial Bank & Trust Co., Albany; George W. Gehm, Assistant Vice-President, First Trust & Deposit Co., Syracuse; R. C. Harrison, Vice-President, Central Hanover Bank & Trust Co., New York; J. Frank Honold, Second Vice-President, Chase National Bank, New York; J. Lawrence Kolb, Vice-President, Elmira (N. Y.) Bank and Trust Co.; Kingsley Kunhardt, Vice-President, Guaranty Trust Company, New York; A. M. Massie, Vice-President, New York Trust Company, New York; Irvin A. Sprague, Assistant Vice-President, United States Trust Company, New York; Frederic S. Stappleton, Assistant Trust Officer, First National Bank, Binghamton; Schuyler C. Wells, Jr., Vice-President and Associate Trust Officer, Security Trust Company, Rochester; Brenton Welling, Vice-President, Bankers Trust Company, New York.

Committee on Common Trust Funds: Chairman Baldwin Maull, Vice-President, Marine Midland Trust Co., New York; William H. Stackel, Vice-President and Trust Officer, Security Trust Co., Rochester, Thomas F. Cox, Trust Officer, Bank of New York, New York; Earl S. MacNeill, Trust Officer, The Continental Bank & Trust Company, New York; Hol-lis S. Pease, Assistant Secretary, Central Hanover Bank and Trust Company, New York.

Informal Accounting Study Group: Chairman, Robert A. Jones, Vice-President, Guaranty Trust Co. of New York, New York; E. W. Durner, Assistant Vice-President, Central Hanover Bank & Trust Co., New York; C. T. Smith, Trust Officer, City Bank Farmers Trust Co., New York; George F. Sloan, Second Vice-President, Chase National Bank, New York; Bruce Percy, Assistant Trust Officer, Genesee Valley Trust Co., Rochester; Mark R. Brinthaup, Trust Officer, Elmira (N. Y.) Bank and Trust Co.; Irving Church, Trust Officer, Central National Bank, Yonkers.

#### MBA Mtg. Clinics

#### Announced for 1947

A series of three regional mortgage clinics in 1947, sponsored by the Mortgage Bankers Association of America, was announced on Dec. 14 by Guy T. O. Hollyday, Baltimore, Association President. The conferences are scheduled for Feb. 28 to March 1, Drake Hotel, Chicago, to serve middle western members; April 14 and 15, Waldorf-Astoria Hotel, New York, for eastern members; and May 8 and 9, Hotel President, Kansas City, Mo. for south western members. The last named meeting will be preceded by the regular Spring meeting of the Association's Board of Governors May 7. Mr. Hollyday also announced that the Winter Board meeting will be held Jan. 24 at the Hotel Carlton, Washington, D.C. instead of in Chicago as has been customary in recent years. In view of the rapidity with which decontrol of materials has taken place and the prospects for an increasing building and financing volume over the next 12 months, Mr. Hollyday said he expected the meetings to help reflect the pattern for the long-term upswing in the financing of construction.

Programs for the meetings will be arranged by a committee headed by George H. Dovenmuehle, Vice-President, Dovenmuehle, Inc., Chicago, and including Burlye B. Pouncey, Vice-President, Ivor B. Clark, Inc., New York and Earl Linn, Vice-President, Weitz Investment & Realty Co., Des Moines.

Committee on Trustees' Investments: Chairman, Bascom H. Torrance, Vice-President, City Bank Farmers Trust Co., New York; R. G. Barker, Vice-President, Bank of New York, New York; Thomas Cantwell, Vice-President, Manufacturers & Traders Trust Co., Buffalo; George W. Carrington, Vice-President, Bank of the Manhattan Company, New York; William H. Gambrell, Vice-President, New York Trust Company, New York; William B. Loery, Vice-President and Secretary, Bank of New York, New York.

## Moody's Bond Prices and Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES  
(Based on Average Yields)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate by Ratings*	Corporate by Ratings*	Corporate by Groups*					
		Aaa	Aa	A	Baa	R. R.	P. U.	Indus.	
Dec. 17	121.89	116.41	120.84	119.20	116.41	109.97	112.37	117.60	119.61
16	121.86	116.41	120.84	119.20	116.41	109.97	112.37	117.40	119.82
14	121.92	116.41	120.84	119.20	116.41	109.97	112.37	117.40	119.61
13	121.92	116.41	120.63	119.20	116.41	109.97	112.37	117.40	119.61
12	121.86	116.41	120.63	119.00	116.41	109.97	112.37	117.40	119.61
11	121.83	116.41	120.63	119.00	116.41	110.15	112.37	117.60	119.41
10	121.89	116.41	120.84	119.00	116.41	110.15	112.37	117.40	119.61
9	121.89	116.41	120.84	119.00	116.22	109.97	112.19	117.40	119.82
7	121.89	116.41	120.84	119.00	116.22	109.79	112.19	117.40	119.61
6	121.74	116.22	120.84	119.00	116.22	109.60	111.81	117.40	119.61
5	121.67	116.22	120.84	118.80	116.22	109.60	111.81	117.40	119.61
4	121.64	116.22	120.84	119.00	116.22	109.60	111.81	117.40	119.61
3	121.52	116.22	120.84	119.00	116.02	109.79	111.81	117.60	119.61
2	121.36	116.22	120.84	119.00	116.02	109.60	111.81	117.60	119.61
Nov. 29	121.55	116.22	121.04	118.80	116.02	109.60	111.81	117.60	119.61
22	121.80	116.41	121.04	119.00	116.02	109.79	112.00	117.60	119.82
15	122.05	116.51	121.46	119.20	116.41	110.15	112.37	117.80	120.02
8	122.17	116.61	121.25	119.20	116.22	110.34	112.37	117.60	120.02
1	122.14	116.41	121.04	119.20	116.02	110.15	112.19	117.60	119.82
Oct. 25	121.77	116.61	121.04	119.20	116.22	110.34	112.19	117.60	120.02
18	121.43	116.61	121.04	119.20	116.22	110.34	112.37	117.80	120.02
11	121.08	116.41	120.84	119.00	116.22	110.15	112.19	117.60	119.82
4	121.05	116.61	121.25	119.00	116.61	110.34	112.58	117.80	119.82
Sept. 27	121.08	116.61	121.04	119.00	116.61	110.15	112.37	117.80	119.82
20	121.14	116.61	121.04	119.00	116.61	110.52	112.75	117.80	119.61
13	121.80	117.20	121.46	119.41	117.00	111.44	113.88	118.00	120.22
6	122.52	118.00	122.00	120.02	117.80	114.46	118.60	120.84	
Aug. 30	122.92	118.40	122.71	120.43	118.00	112.37	114.85	118.80	121.25
July 26	123.77	118.60	123.13	121.04	118.40	112.56	115.63	119.20	121.46
June 26	124.11	118.80	123.34	121.25	118.40	112.56	116.02	119.20	121.46
May 31	123.09	118.80	122.92	121.46	118.40	112.56	116.22	119.00	121.04
Apr. 26	124.33	119.00	123.34	121.25	118.40	113.12	116.41	119.41	121.04
Mar. 29	125.61	119.82	123.95	122.29	119.41	114.27	117.40	120.22	122.09
Feb. 21	126.02	120.22	123.34	121.88	119.00	114.27	116.41	120.22	122.09
Jan. 25	126.28	119.00	123.12	121.25	119.00	113.31	115.63	119.41	122.09
High 1946	126.28	120.02	124.20	122.50	119.61	114.46	117.60	120.43	122.50
Low 1946	120.70	116.22	120.63	118.80	116.02	109.60	111.81	117.40	119.41

1 year Ago									
Dec. 17, 1945	124.23	117.00	120.84	119.41	117.00	111.25	113.89	117.00	120.22
2 Years Ago									
Dec. 16, 1944	120.23	113.50	119.00	117.80	113.50	104.48	108.70	113.89	118.00

MOODY'S BOND YIELD AVERAGES  
(Based on Individual Closing Prices)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate by Ratings*	Corporate by Ratings*	Corporate by Groups*					
		Aaa	Aa	A	Baa	R. R.	P. U.	Indus.	
Dec. 17	1.59	2.83	2.61	2.69	2.83	3.17	3.04	2.77	2.67
16	1.59	2.83	2.61	2.69	2.83	3.17	3.04	2.78	2.67
14	1.59	2.83	2.61	2.69	2.83	3.17	3.04	2.78	2.67
13	1.59	2.83	2.62	2.69	2.83	3.17	3.04	2.78	2.67
12	1.59	2.83	2.62	2.70	2.83	3.17	3.04	2.78	2.67
11	1.59	2.83	2.62	2.70	2.83	3.16	3.04	2.77	2.66
10	1.59	2.83	2.61	2.70	2.83	3.16	3.04	2.78	2.67
9	1.59	2.83	2.61	2.70	2.84	3.17	3.05	2.78	2.67
7	1.59	2.83	2.61	2.70	2.84	3.18	3.05	2.78	2.67
6	1.60	2.84	2.61	2.70	2.84	3.19	3.07	2.78	2.67
5	1.61	2.84	2.61	2.71	2.84	3.19	3.07	2.78	2.67
4	1.61	2.84	2.61	2.70	2.84	3.19	3.07	2.78	2.67
3	1.62	2.84	2.61	2.70	2.85	3.18	3.07	2.77	2.67
2	1.63	2.84	2.61	2.70	2.85	3.19	3.07	2.77	2.67
Nov. 29	1.62	2.84	2.60	2.71	2.85	3.19	3.07	2.77	2.67
22	1.60	2.83	2.60	2.70	2.85	3.18	3.06	2.77	2.66
15	1.58	2.82	2.58	2.69	2.83	3.16	3.04	2.76	2.65
8	1.57	2.82	2.59	2.69	2.84	3.15	3.04	2.77	2.65
1	1.57	2.83	2.60	2.69	2.85	3.16	3.05	2.77	2.66
Oct. 25	1.60	2.82	2.60	2.69	2.84	3.15	3.05	2.77	2.65
18									

tably. Men's sportswear and accessories were frequently requested. Interest in men's and women's shoes was directed primarily toward all-leather styles.

The demand for electrical appliances rose above the very high levels of previous weeks and the number of orders placed by consumers with retailers mounted rapidly. The retail volume of toys was considerably above that of a year ago. Furniture and home appliances were very much in demand. Interest in sporting goods was at a very high level. The consumer insistence upon brand names was evident in many of the numerous requests for durable goods.

Retail volume for the country in the week ended this Wednesday was estimated to be from 24 to 28% above that of the corresponding week a year ago. Regional estimates exceeded those of a year ago by the following percentages: New England 23 to 27, East 26 to 30, Middle West 24 to 28, Northwest 31 to 35, South 22 to 26, Southwest 25 to 29 and Pacific Coast 19 to 23.

Wholesale volume increased slightly last week and it was considerably above that of the corresponding week a year ago. Shipments were frequently delayed as a result of the temporary embargo on rail freight. Both new order and re-order volume was moderately above the high levels of the previous weeks.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Dec. 7, 1946, increased by 19% above the same period of last year. This compares with an increase of 3% (revised figure) in the preceding week. In this week the change from the like week a year ago reflects in part the fact that this year Thanksgiving Day was on Nov. 28, whereas last year it was on Nov. 22. For the four weeks ended Dec. 7, 1946, sales increased by 20% and for the year to date by 28%.

Christmas buying in New York last week was hindered to some extent by warm and inclement weather. Sales volume for department stores was estimated at 20 to 25% above that of a year ago, a rate of gain about unchanged from the previous week. A step-up in Christmas trade is looked for in the present week with buying establishing a peak for the period.

Seasonal factors leveled off activity in the major wholesale markets, it is reported, with production showing the good effects of the ending of the coal strike in a greater flow of materials to the plants. It is understood cotton, textile fabric sales are being booked five and six months ahead with deliveries of finished textiles being speeded up as finishers and dyers acquire greater supplies.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Dec. 7, 1946, increased 20% above the same period last year. This compared with an increase of only 6% (revised figure) in the preceding week. The same reason as noted above for the country as a whole for the small increase in the latter week was likewise applicable to New York. For the four weeks ended Dec. 7, 1946, sales rose 25% and for the year to date increased to 29%.

## Moody's Daily Commodity Index

Tuesday, Dec. 10, 1946	371.5
Wednesday, Dec. 11	372.2
Thursday, Dec. 12	372.0
Friday, Dec. 13	374.3
Saturday, Dec. 14	375.5
Monday, Dec. 16	376.6
Tuesday, Dec. 17	373.1
Two weeks ago, Dec. 3	374.7
Month ago, Nov. 16	373.9
Year ago, Dec. 17, 1945	264.7
1945 High, Dec. 27	265.0
Low, Jan. 24	252.1
1946 High, Nov. 29	377.8
Low, Jan. 2	264.7

## Civil Engineering Construction Totals \$126,931,000 for Week

Civil engineering construction volume in continental United States totals \$126,931,000 for the week ending Dec. 12, 1946 as reported by "Engineering News-Record." This volume is 20% above the previous week, 88% above the corresponding week of last year, and 55% above the previous four-week moving average. The report issued on Dec. 12 went on to say:

Private construction this week, \$103,741,000, is 46% above last week, and 114% above the week last year. Public construction, \$23,190,000, is 32% below last week, and 21% greater than the week last year. State and municipal construction, \$22,398,000, 22% below last week, is 123% above the 1945 week. Federal construction, \$792,000, is 86% below last week, and 91% below the week last year.

Total engineering construction for the 50-week period of 1946 records a cumulative total of \$5,079,762,000, which is 131% above the total for a like period of 1945. On a cumulative basis, private construction in 1946 totals \$3,086,214,000, which is 187% above that for 1945. Public construction, \$1,993,548,000, is 77% greater than the cumulative total for the corresponding period of 1945, whereas State and municipal construction, \$1,373,846,000 to date, is 260% above 1945. Federal construction, \$619,702,000, dropped 17% below the 50-week total of 1945.

Civil engineering construction volume for the current week, last week, and the 1945 week are:

	Dec. 12, 1946	Dec. 5, 1946	Dec. 13, 1945
Total U. S. Construction	\$126,931,000	\$105,388,000	\$67,642,000
Private Construction	103,741,000	71,109,000	48,389,000
Public Construction	23,190,000	34,279,000	19,243,000
State and Municipal	22,398,000	28,688,000	10,053,000
Federal	792,000	5,591,000	9,190,000

In the classified construction groups, waterworks, bridges, earth-work and drainage, industrial buildings, and unclassified construction, gained this week over last week. Seven of the nine classes recorded gains this week over the 1945 week as follows: waterworks, sewerage, bridges, earthwork and drainage, industrial buildings, commercial buildings, and unclassified construction.

### New Capital

New capital for construction purposes this week totals \$62,104,000 and is made up of \$30,654,000 in corporate securities and \$31,450,000 in State and municipal bond sales. New capital for construction purposes for the 50-week period of 1946 totals \$3,266,989,000, 85% more than the \$1,767,931,000 reported for the corresponding period of 1945.

## Electric Output for Week Ended Dec. 14, 1946 15.0% Ahead of That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimates that the amount of electrical energy distributed by the electric light and power industry for the week ended Dec. 14, 1946, was 4,777,843,000 kwh., an increase of 15.0% over the corresponding week last year when electric output amounted to 4,154,061,000 kwh. The current figure also compares with 4,672,712,000 kwh. produced in the week ended Dec. 7, 1946, which was 14.1% higher than the 4,096,954,000 kwh., produced in the week ended Dec. 8, 1945. The largest increases were reported by the Pacific Coast and Southern States groups which showed increases of 26.1% and 21.2%, respectively, over the same week in 1945.

PERCENTAGE INCREASE OVER SAME WEEK LAST YEAR					
Major Geographical Division	Dec. 14	Dec. 7	Nov. 30	Nov. 23	Nov. 16
New England	11.3	10.1	0.1	21.9	10.6
Middle Atlantic	6.4	3.9	*0.1	15.6	9.0
Central Industrial	13.5	11.3	6.8	21.2	16.0
West Central	11.0	9.3	6.7	16.3	11.3
Southern States	21.2	22.1	20.9	32.1	28.3
Rocky Mountain	9.5	9.7	8.3	18.8	13.9
Pacific Coast	26.1	27.8	21.7	35.7	26.5
Total United States	15.0	14.1	10.0	24.0	18.0
*Decrease.					

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)						
Week Ended	1946	1945	Over 1945	1944	1932	
Sept. 7	4,184,404	3,909,408	+ 7.0	4,227,900	1,476,442	1,806,259
Sept. 14	4,521,151	4,106,187	+ 10.1	4,394,839	1,490,863	1,792,131
Sept. 21	4,506,988	4,018,913	+ 12.1	4,377,339	1,499,459	1,777,854
Sept. 28	4,517,874	4,038,542	+ 11.9	4,365,907	1,505,216	1,819,276
Oct. 5	4,478,092	4,026,286	+ 11.2	4,375,079	1,507,503	1,806,403
Oct. 12	4,495,220	3,934,394	+ 14.3	4,354,575	1,528,145	1,798,633
Oct. 19	4,539,712	3,914,738	+ 16.0	4,345,352	1,533,028	1,824,160
Oct. 26	4,601,767	3,937,420	+ 16.9	4,358,293	1,525,410	1,815,749
Nov. 2	4,628,353	3,899,293	+ 18.7	4,354,939	1,520,730	1,798,164
Nov. 9	4,682,085	3,948,024	+ 18.6	4,396,595	1,531,584	1,793,584
Nov. 16	4,699,935	3,984,608	+ 18.0	4,450,047	1,475,268	1,818,169
Nov. 23	4,764,718	3,841,350	+ 24.0	4,368,519	1,510,337	1,718,002
Nov. 30	4,448,193	4,042,915	+ 10.0	4,524,257	1,518,922	1,806,225
Dec. 7	4,672,712	4,096,954	+ 14.1	4,538,012	1,563,384	1,840,863
Dec. 14	4,777,943	4,154,061	+ 15.0	4,563,079	1,554,473	1,860,021
Dec. 21	4,239,376	3,758,942	4,616,975	1,414,710	1,637,683	1,542,000
Dec. 28	4,225,814	4,225,814	1,619,265	1,542,000		

## National Fertilizer Association Commodity Price Index Rises Slightly

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on Dec. 16, rose slightly in the week ended Dec. 14, 1946 when it advanced to 191.6 from 191.3 in the preceding week. The index is 0.2% below its highest level, reached in the week ended November 30. A month ago the index stood at 190.1, and a year ago at 142.0, all based on the 1935-1939 average as 100. The Association's report continued as follows:

Three of the composite groups of the index advanced and three declined during the latest week. The farm products group advanced, with increases in the cotton and grains subgroups more than offsetting the decline in the livestock subgroup. Prices were mixed in the grains index with higher quotations for corn and wheat but lower quotations for oats and rye. Prices were lower for most cattle and hogs but higher for eggs. Timothy hay at New York and wool prices were also higher. The textiles index advanced. The metals index was higher, with advances registered in pig iron and finished

steel more than offsetting declines in silver. The foods group was only fractionally lower, with declines for butter, ham, bellies and fresh meats more than offsetting advances for flour, potatoes, cocoa and cottonseed oil. The decline in the chemicals and drugs index was due to a correction. The decline in the miscellaneous commodities index was because of lower prices for leather and feedstuffs.

During the week 17 price series in the index advanced and 21 declined; in the preceding week 20 advanced and 23 declined; in the second preceding week 32 advanced and 25 declined.

### WEEKLY WHOLESALE COMMODITY PRICE INDEX Compiled by The National Fertilizer Association 1935-1939=100

Each Group Bears to the Total Index	Group	Latest Week Dec. 14, 1946	Preceding Week Dec. 7, 1946	Month Ago Nov. 16, 1946	Year Ago Dec. 15, 1945
25.3	Foods	216.4	216.9	216.1	144.8
23.0	Fats and Oils	262.5	263.8		

## Wholesale Prices in Week Ended Dec. 7 Unchanged, Labor Department Reports\*

"Average primary market prices were unchanged for the week ended Dec. 7, 1946 as lower prices of agricultural commodities balanced increases in all other major commodity groups," said the Bureau of Labor Statistics, of the U. S. Department of Labor on Dec. 12, its advices adding that "the index of commodity prices prepared by the Bureau remained at 139.1% of the 1926 average, 3.2% higher than the first week of November, and 30.6% above a year ago." The further report of the Bureau for the week ended Dec. 7 follows:

**Farm Products and Foods**—Prices of farm products declined 0.6% during the week, largely because of lower quotations for grains and eggs. Decreases for grains indicated sellers' willingness to accept lower prices following the removal or relaxation of restrictions on flour milling and grain use and the announcement that export buying was up to schedule. Egg quotations dropped seasonally. Livestock and poultry prices rose with increases ranging from about 1½% for hogs and wethers to more than 7% for steers of fair to good quality. There were substantial declines for citrus fruits reflecting good supplies, while apples and potatoes were up seasonally. Quotations for domestic wools advanced following increases in Commodity Credit Corporation selling prices to reflect parity. As a group, farm products were 1.9% higher than 4 weeks ago and 29.9% above last year.

"Food prices dropped 1.2% during the week. Prices of pork and mutton declined with good supplies. Both cereal products and dairy products averaged slightly lower but rye flour quotations rose sharply reflecting previous high prices for rye. There were substantial advances for canned tomatoes, bananas, corn starch and corn oil. Lard prices continued to decline, as supplies exceeded demand, and prices of oleo oil were lower. On the average, food prices were 0.5% below the first week in November and 49.6% higher than the first week of December 1945.

**Other Commodities**—Average prices of all commodities other than farm products and foods rose 0.4% during the week, with increases in all major groups. Earlier increases in raw material costs caused further price advances for shoes and other leather products and for cotton fabrics, but hide quotations continued to decline from the peak levels immediately following decontrol. Hemp prices rose more than 50% with restoration of private trading. Prices of pig iron, some iron and steel products, storage batteries and some durable goods, book paper and boxboard, and some chemicals, advanced because of heavy demand and increased costs of raw materials. Prices for petroleum products and building materials averaged slightly higher. High prices of tar and benzene, a coal tar product, reflected uncertainty due to the coal strike. Cattle feed quotations declined for the fifth consecutive week to a level below the end of June. The group index for all commodities other than farm products and foods was 21.0% higher than the corresponding week of last year."

### CHANGES IN WHOLESALE PRICES BY COMMODITY GROUPS FOR WEEK ENDED DEC. 7, 1946 (1926=100)

Commodity Groups	Percentage changes to Dec. 7, 1946, from—											
	12-7	11-30	11-23	11-9	12-8	11-30	11-9	12-8	1946	1946	1945	1946
All commodities	139.1	139.1	127.3	134.8	106.5	0	+ 3.2	+ 30.6				
Farm products	169.2	170.3	172.1	166.0	130.3	- 0.6	+ 1.9	+ 29.9				
Foods	161.7	163.6	165.0	162.5	108.1	- 1.2	- 0.5	+ 49.6				
Hides and leather products	166.9	165.0	158.6	158.7	119.4	+ 1.2	+ 5.2	+ 39.8				
Textile products	131.7	130.7	129.6	130.2	100.6	+ 0.8	+ 1.2	+ 30.9				
Fuel and lighting materials	96.0	95.8	94.9	94.7	85.2	+ 0.2	+ 1.4	+ 12.7				
Metals and metal products	132.2	131.8	117.2	114.4	105.3	+ 0.3	+ 15.6	+ 25.5				
Building materials	145.2	144.3	142.0	140.0	118.7	+ 0.6	+ 3.7	+ 22.3				
Chemicals and allied products	124.0	123.7	123.1	110.2	96.1	+ 0.2	+ 12.5	+ 29.0				
Housefurnishings goods	118.7	118.3	118.0	117.5	106.4	+ 0.3	+ 1.0	+ 11.6				
Miscellaneous commodities	106.7	106.7	106.1	104.9	94.6	+ 0.2	+ 1.9	+ 30.6				
Special Groups												
Raw materials	154.4	154.8	155.3	152.2	119.1	- 0.3	+ 1.4	+ 29.6				
Semi-manufactured articles	131.6	130.2	128.2	122.4	96.8	+ 1.1	+ 7.5	+ 36.0				
Manufactured products	134.0	134.1	131.1	129.5	102.5	- 0.1	+ 3.5	+ 30.7				
All commodities other than Farm products	132.5	132.3	129.7	128.0	101.3	+ 0.2	+ 3.5	+ 30.8				
All commodities other than Farm products and foods	121.6	121.1	116.9	115.5	100.5	+ 0.4	+ 5.3	+ 21.0				

### PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM NOV. 30, 1946 TO DEC. 7, 1946

	Increases		
	12-7	11-30	11-23
Other leather products	3.2	Furnishings	0.6
Livestock and poultry	2.8	Motor vehicles	0.6
Other building materials	2.4	Petroleum and products	0.5
Cotton goods	2.0	Chemicals	0.4
Shoes	2.0	Iron and steel	0.2
Paper & p.p.	1.7	Agricultural implements	0.1
Other textile products	1.5	Bituminous Coal	0.1
Other miscellaneous	1.1	Drugs and pharmaceuticals	0.1
Fruits and vegetables	0.1		
Decreases			
Cattle feed	8.5	Meats	1.7
Grain	4.4	Cereal products	0.4
Other foods	2.3	Paint and paint material	0.4
Other farm products	2.1	Dairy products	0.3
Hides and skins	0.3		

\*Based on the BLS weekly index of prices of approximately 900 commodities which measures changes in the general level of primary market commodity prices. This index should be distinguished from the daily index of 28 basic materials. For the most part, the prices are those charged by manufacturers or producers or are those prevailing on commodity exchanges. The weekly index is calculated from one-day-a-week prices. It is designed as an indicator of week-to-week changes and should not be compared directly with the monthly index.

†Includes motor vehicles at current prices. During the war, motor vehicles were not produced for general civilian sale and the Bureau carried the April 1942 price forward in each computation through Nov. 23, 1946. Since production in recent weeks has exceeded the average rate of civilian production in 1941 (the basis previously announced by the Bureau) current prices of motor vehicles were introduced in the weekly wholesale price index beginning with the week ended Nov. 30. If April, 1942 motor vehicle prices had been used in computing Nov. 30, 1946 index, the indexes for groups of which motor vehicles is a component would have been: all commodities, 137.2; metals and metal products, 118.5; manufactured products, 131.1; all commodities other than farm products, 130.1; all commodities other than farm products and foods, 118.2.

## Trading on New York Exchanges

The Securities and Exchange Commission made public on Dec. 11 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Nov. 23, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Nov. 23 (in round-lot transactions) totaled 2,054,935 shares, which amount was 16.06% of the total transactions on the Exchange of 6,400,680 shares. This compares with member trading during the week ended Nov. 16 of 1,790,839 shares, or 18.33% of the total trading of 4,883,340 shares.

On the New York Curb Exchange, member trading during the week ended Nov. 23 amounted to 475,550 shares or 15.34% of the total volume on that Exchange of 1,550,265 shares. During the week ended Nov. 16 trading for the account of Curb members of 342,410 shares was 15.43% of the total trading of 1,109,270 shares.

### Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members\* (Shares)

WEEK ENDED NOV. 23, 1946

A. Total Round-Lot Sales:	Total for Week	†%
Short sales	206,640	
†Other sales	6,194,040	
<b>Total sales</b>	<b>6,400,680</b>	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	714,530	
Short sales	98,830	
†Other sales	589,470	
<b>Total sales</b>	<b>688,300</b>	10.96
2. Other transactions initiated on the floor—		
Total purchases	119,580	
Short sales	13,750	
†Other sales	98,000	
<b>Total sales</b>	<b>111,750</b>	1.81
3. Other transactions initiated off the floor—		
Total purchases	247,370	
Short sales	18,730	
†Other sales	154,675	
<b>Total sales</b>	<b>173,405</b>	3.29
4. Total—		
Total purchases	1,080,480	
Short sales	131,310	
†Other sales	842,145	
<b>Total sales</b>	<b>973,455</b>	16.06

### Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members\* (Shares)

WEEK ENDED NOV. 23, 1946

A. Total Round-Lot Sales:	Total for Week	†%
Short sales	20,185	
†Other sales	1,530,080	
<b>Total sales</b>	<b>1,550,265</b>	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	172,490	
Short sales	13,935	
†Other sales	140,640	
<b>Total sales</b>	<b>154,575</b>	10.55
2. Other transactions initiated on the floor—		
Total purchases	21,800	
Short sales	1,650	
†Other sales	16,120	
<b>Total sales</b>	<b>17,770</b>	1.28
3. Other transactions initiated off the floor—		
Total purchases	71,670	
Short sales	1,220	
†Other sales	36,025	
<b>Total sales</b>	<b>37,245</b>	3.51
4. Total—		
Total purchases	265,960	
Short sales	16,805	
†Other sales	192,785	
<b>Total sales</b>	<b>209,590</b>	15.34
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
†Customers' other sales	77,255	
Total purchases	77,255	
Total sales	69,203	

\*The term "members" includes all regular and associate

## Statutory Debt Limitation as of Oct. 31, 1946

The Treasury Department made public on Nov. 6 its monthly report showing that the face amount of public debt obligations issued under the Second Liberty Bond Act (as amended) outstanding on Oct. 31, 1946 totaled \$262,974,656,930, thus leaving the face amount of obligations which may be issued subject to the \$275,000,000 statutory debt limitation at \$12,025,343,070. In another table in the report, the Treasury indicates that from total gross public debt and guaranteed obligations of \$263,917,666,708 should be deducted \$943,009,778 (outstanding public debt obligations not subject to debt limitation). Thus the grand total of public debt obligations outstanding as of Oct. 31, 1946 amounted to \$262,974,656,930.

On Sept. 30 the statutory debt outstanding was \$264,818,383,103 while on Aug. 31 the figures of the debt outstanding were \$266,969,580,816. The detailed figures as of June 30, were given in our issue of Dec. 5, page 2947.

The Treasury Department announcement of Nov. 7 covering the Oct. 31 figures follows:

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "Shall not exceed in the aggregate \$275,000,000,000 outstanding at any one time. For purposes of this section the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder shall be considered as its face amount."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time	\$275,000,000,000
Outstanding Oct. 31, 1946	
Obligations issued under Second Liberty Bond Act, as amended:	
Interest bearing:	
Treasury bills	\$16,987,448,000
Certificates of indebtedness	32,477,753,000
Treasury notes	15,354,334,600
	\$68,819,535,600
Bonds—	
Treasury	119,322,900,450
*Savings (current redemp. value)	49,624,316,866
Depository	383,370,500
Armed Forces leave	70,263,200
	169,400,851,016
Special funds—	
Certificates of indebtedness	11,580,100,000
Treasury notes	12,435,271,000
	24,015,371,000
Total interest-bearing	\$262,235,757,616
Matured, interest ceased	235,535,800
Bearing no interest:	
War savings stamps	82,988,276
Excess profits tax refund bonds	34,564,841
	117,553,117
Total	\$262,588,846,533
Guaranteed obligations (not held by Treasury)—	
Interest bearing:	
Debentures: FHA	43,553,630
Demand obligations: CCC	333,955,586
	\$377,509,222
Matured, interest ceased	8,301,175
	\$385,810,397
Grand total outstanding	262,974,656,930
Balance face amount of obligations issuable under above authority	\$12,025,343,070
RECONCILEMENT WITH STATEMENT OF THE PUBLIC DEBT—OCT. 31, 1946	
(Daily Statement of the United States Treasury, Nov. 1, 1946)	
Outstanding, Oct. 31, 1946:	
Total gross public debt	\$263,531,856,311
Guaranteed obligations not owned by the Treasury	385,810,397
Total gross public debt and guaranteed obligations	\$263,917,666,708
Deduct—Other outstanding public debt obligations not subject to debt limitation	943,009,778
	\$262,974,656,930

## Non-Ferrous Metals—Foreign Copper Sold on Basis of 19½c—Lead Strong—Silver Lower

"E. & M. J. Metal and Mineral Markets, in its issue of Dec. 12, stated: "Emergency controls on coal were eased soon after the work stoppage at the mines ended, and the market for non-ferrous metals, so far as rush demands were concerned, returned to normal on Dec. 9. The feature in price developments during the last week was an advance in foreign copper of slightly more than 1¢ per pound."

Demand for foreign copper was well in excess of available supplies. The lead situation strengthened on sales of foreign metal at higher levels. Zinc was unchanged. Silver prices declined as offerings from various foreign sources increased. Refined platinum dropped to \$62 an ounce try in a quiet market. Quicksilver was reduced \$1 per flask." The publication further went on to say in part as follows:

### Copper

The sales volume in foreign copper was larger than in recent weeks, but at rising prices. As the week ended, a fair tonnage of foreign metal brought the equivalent of 19½c, f.a.s. New York, which established the price abroad at approximately the domestic level. Demand for copper from foreign sources was heavy. Some observers believe that production outside of this country will increase in the next month or so, largely because of the likelihood of an early settlement of strikes at foreign properties.

Domestic demand for copper was active. The government is

expected to release about 50,000 tons of foreign copper to domestic consumers this month. The price situation here was unchanged.

November deliveries of refined copper totaled 129,206 tons, against 136,481 tons in October, the Copper Institute reports. Production in November continued at about the same level as in the preceding month.

Imports of copper into the United States in September and October, according to the Bureau of the Census, in tons:

	Sept.	Oct.
Ore, matte, etc.	7,214	2,481
Blister	16,639	18,160
Refined	75	6,788

Totals 23,928 27,429

During the first ten months of 1946 the United States imported 34,519 tons of copper in ore, matte, etc., 163,032 tons as blister (copper content), and 128,421 tons as refined metal.

Mine output of copper in October, in terms of recoverable copper amounted to 64,928 tons against 62,300 tons in September and 56,707 tons in August, the Bureau of Mines reports. In the

second quarter of the current year production averaged only 32,727 tons a month, the low average resulting from labor disputes. The domestic market was free of major disturbing factors throughout October, in contrast with most other months of the year. Utah's production amounted to 17,700 tons, the largest since October, 1945.

### Lead

Interest centered in a report to the effect that foreign lead is now bringing 11c per pound, or three-quarters of a cent above the level that obtained when producers here moved up the domestic price to 11.80c, New York basis. This development has caused some sellers to offer the metal rather sparingly, and scrap strengtheners immediately, indicating to the trade that a higher quotation here is probable in the near future. However, up to the close of business on Dec. 11 sellers continued to quote 11.80c, but admitted that the situation was strong.

CPA has not yet decided on what steps to take in reference to the controls on lead. The subject will be discussed at a meeting in Washington called for Dec. 23. Allocation of metal obtained from Japan also will come up for consideration. The "kitty" has been done away with, beginning in January.

Sales of lead for the week amounted to 5,231 tons.

### Zinc

Demand for zinc was active, particularly in the galvanizing and die-casting grades. The market continued at 10½c for Prime Western, East St. Louis. With the foreign situation in zinc not as clear as in copper and lead, most operators viewed the market as no more than steady to firm.

The November slab statistics showed that production, domestic shipments, and exports increased, and stocks in the hands of producers declined. The gain in exports was particularly sharp. Figures compiled by the American Zinc Institute covering November and October follow, in tons:

	Nov.	Oct.
Stock at beginning	220,384	230,161
Production	66,818	64,138
Production, daily average	2,227	2,069
Shipments:		
Domestic	75,749	71,667
Export and drawback	15,648	12,248

Total shipments 91,397 73,915  
Unfilled orders 49,317 52,694  
Stock at end of mo. 195,805 220,384

\*Revised figures.

Total shipments of 91,397 tons were the highest since March, 1945, a period of unusually heavy war demands. In March last year total shipments came to 94,494 tons, of which only 198 tons were earmarked for export.

The record for the first eleven months of 1946 and 1945, in tons, is summarized as follows:

	DAILY PRICES OF METALS ("E. & M. J." QUOTATIONS)					
	Electrolytic Copper		Straits Tin		Lead	
Dom. Refy.	Exp. Refy.	New York	New York	St. Louis	St. Louis	St. Louis
Dec. 5	19.275	18.500	70,000	11,800	11,650	10,500
Dec. 6	19.275	18.925	70,000	11,800	11,650	10,500
Dec. 7	19.275	18.550	70,000	11,800	11,650	10,500
Dec. 9	19.275	18.550	70,000	11,800	11,650	10,500
Dec. 10	19.275	18.675	70,000	11,800	11,650	10,500
Dec. 11	19.275	19.425	70,000	11,800	11,650	10,500

Average 19.275 18.771 70,000 11,800 11,650 10,500

Average prices for calendar week ended Dec. 7 are: Domestic copper f.o.b. refinery, 19.275c; export copper, f.o.b. refinery 18.458c; Straits tin, 70,000c; New York lead, 11,800c; St. Louis lead, 11,650c; St. Louis zinc, 10,500c; and silver, 89.125c.

The above quotations are "E. & M. J. M. & M.'s" appraisal of the major United States markets, based on sales reported by producers and agencies. They are reduced to the basis of cash, New York or St. Louis, as noted. All prices are in cents per pound.

Copper, lead and zinc quotations are based on sales for both prompt and future deliveries; tin quotations are for prompt delivery only.

In the trade, domestic copper prices are quoted on a delivered basis: that is, delivered at consumers' plants. As delivery charges vary with the destination, the figures shown above are net prices at refineries on the Atlantic seaboard. Delivered prices in New England average 0.225c. per pound above the refinery basis.

Effective March 14, the export quotation for copper reflects prices obtaining in the open market and is based on sales in the foreign market reduced to the f.o.b. refinery equivalent, Atlantic seaboard. On f.a.s. transactions we deduct 0.075c., for lighterage, etc., to arrive at the f.o.b. refinery quotation.

Quotations for copper are for the ordinary forms of wirebars and ingot bars. For standard ingots an extra 0.075c. per pound is charged; for slabs 0.175c. up, and for cakes 0.225c. up, depending on weight and dimension; for billets an extra 0.95c. up, depending on dimensions and quality. Cathodes in standard sizes are sold at a discount of 0.125c. per pound.

Quotations for zinc are for ordinary Prime Western brands. Contract prices for High-grade zinc delivered in the East and Middle West in nearly all instances command a premium of 1c. per pound over the current market for Prime Western but not less than 4c. over the "E. & M. J." average for Prime Western for the previous month.

Quotations for lead reflect prices obtained for common lead only.

	Jan.-Nov.
Stock at beginning	1946 1945
Production	259,391 237,520
Shipments:	719,115 733,358
Domestic	636,356 706,745
Export, etc.	54,338 8,580
Government acc't	62,007
Total shipments	752,701 715,325
Stock at end of mo.	195,805 259,391

### Platinum

Effective Dec. 11, refined platinum was reduced to \$62 per ounce on wholesale transactions and \$65 on sales to consumers. Supplies appear to be ample at the reduced rate of buying by the jewelry industry. The strike at Baker & Co., Newark, N. J., has been settled.

### Tin

Production of tin-plate in the United States in the first ten months of 1946 amounted to 2,215,362 tons, of which 708,626 tons was electrolytic. Production in the Jan.-Oct. period of 1945 totaled 2,430,192 tons, of which 740,348 tons was electrolytic.

The market situation in tin last week was unchanged. Straits quality tin for shipment, in cents per pound, was nominally as follows:

## Revenue Freight Car Loadings During Week Ended Dec. 7, 1946 Increased 68,173 Cars

Loading of revenue freight for the week ended Dec. 7, 1946 totaled 729,084 cars, the Association of American Railroads announced on Dec. 12. This was a decrease of 47,292 cars or 6.1% below the corresponding week in 1945, and a decrease of 64,072 cars or 8.1% below the same week in 1944.

Loading of revenue freight for the week of Dec. 7 increased 68,173 cars or 10.3% above the preceding week.

Miscellaneous freight loading totaled 395,164 cars, an increase of 39,412 cars above the preceding week, and an increase of 45,331 cars above the corresponding week in 1945.

Loading of merchandise less than carload lot freight totaled 129,196 cars, an increase of 11,597 cars above the preceding week, and an increase of 11,946 cars above the corresponding week in 1945.

Coal loading amounted to 59,943 cars, which includes coal strike, an increase of 7,380 cars above the preceding week but a decrease of 114,476 cars below the corresponding week in 1945.

Grain and grain products loading totaled 55,007 cars, an increase of 8,159 cars above the preceding week but a decrease of 3,856 cars below the corresponding week in 1945. In the Western Districts alone grain and grain products loading for the week of Dec. 7 totaled 36,825 cars, an increase of 5,522 cars above the preceding week, but a decrease of 3,508 cars below the corresponding week in 1945.

Livestock loading amounted to 18,627 cars, an increase of 1,061 cars above the preceding week, but a decrease of 2,430 cars below the corresponding week in 1945. In the Western Districts alone loading of livestock for the week of Dec. 7 totaled 14,573 cars, an increase of 795 cars above the preceding week, but a decrease of 1,449 cars below the corresponding week in 1945.

Forest products loading totaled 48,893 cars, an increase of 9,635 cars above the preceding week and an increase of 18,608 cars above the corresponding week in 1945.

Ore loading amounted to 14,110 cars, a decrease of 8,217 cars below the preceding week but an increase of 2,445 cars above the corresponding week in 1945.

Coke loading amounted to 8,144 cars, a decrease of 854 cars below the preceding week and a decrease of 4,860 cars below the corresponding week in 1945.

All districts reported increases compared with the corresponding week in 1945 except the Allegheny and Pocahontas, and all reported decreases compared with same week in 1944 except Southern, Northwest and Centralwest.

	1946	1945	1944
4 weeks of January	2,883,620	3,003,655	3,158,700
4 weeks of February	2,866,710	3,052,487	3,154,116
5 weeks of March	3,982,229	4,022,088	3,916,037
4 weeks of April	2,604,552	3,377,335	3,275,846
5 weeks of May	2,616,067	3,456,465	3,441,616
5 weeks of June	4,062,911	4,366,516	4,338,886
4 weeks of July	3,406,874	3,379,284	3,459,830
5 weeks of August	4,478,446	4,100,512	4,473,872
4 weeks of September	3,517,188	3,255,757	3,527,162
4 weeks of October	3,680,314	3,151,185	3,598,245
5 weeks of November	4,220,275	4,011,044	4,172,739
Week of Dec. 7	729,084	776,376	793,156
Total	39,048,270	39,952,704	41,310,205

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Dec. 7, 1946. During this period 80 roads reported gains over the week ended Dec. 8, 1945.

### REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED DEC. 7

Railroads	Total Revenue Freight Loaded	Total Loads Received from Connections
Eastern District—		
Ann Arbor	1946	1945
Bangor & Aroostook	417	406
Boston & Maine	2,062	3,032
Chicago, Indianapolis & Louisville	7,637	6,971
Central Indiana	1,260	1,341
Central Vermont	40	42
Delaware & Hudson	1,103	1,148
Delaware, Lackawanna & Western	5,135	4,252
Detroit & Mackinac	7,785	7,087
Detroit, Toledo & Ironton	471	409
Detroit & Toledo Shore Line	2,504	1,957
Erie	461	331
Grand Trunk Western	13,099	11,315
Lehigh & Hudson River	4,929	3,144
Lehigh & New England	190	154
Lehigh Valley	2,776	2,028
Maine Central	8,775	8,047
Monongahela	1,578	2,480
Montour	409	2,933
New York Central Lines	47,385	44,514
N. Y., N. H. & Hartford	10,765	10,733
New York, Ontario & Western	910	965
New York, Chicago & St. Louis	6,936	6,090
N. Y., Susquehanna & Western	460	408
Pittsburgh & Lake Erie	4,708	7,299
Pere Marquette	7,287	5,383
Pittsburg & Shawmut	282	594
Pittsburg, Shawmut & Northern	148	141
Pittsburgh & West Virginia	194	838
Rutland	442	375
Wabash	6,548	6,126
Wheeling & Lake Erie	2,804	4,487
Total	152,259	150,455
Allegheny District—		
Akron, Canton & Youngstown	591	579
Baltimore & Ohio	34,275	40,673
Bessemer & Lake Erie	1,302	2,628
Cambridges & Indiana	6	1,488
Central R. R. of New Jersey	6,387	5,860
Cornwall	409	477
Cumberland & Pennsylvania	37	239
Ligonier Valley	97	36
Long Island	1,535	1,558
Penn-Reading Seashore Lines	1,957	1,816
Pennsylvania System	63,870	72,959
Reading Co.	16,279	13,353
Union (Pittsburgh)	9,999	17,444
Western Maryland	2,030	3,285
Total	138,774	162,395
Pocahontas District—		
Chesapeake & Ohio	8,922	28,671
Norfolk & Western	7,280	20,580
Virginian	566	4,881
Total	16,798	54,132

## Oct. Rayon Production At All Time High

In the December issue of the "Rayon Organon," a new table of broad woven rayon fabrics appears showing the average weekly mill grey cloth production by months from the beginning of 1943 through October 1946. The data, gathered by the Textile Economics Bureau, in cooperation with the National Federation of Textiles, Inc. and Textile Surveys, Inc., reveals that weekly production in October 1946 reached an all-time high of 36,000,000 yards per week. Total rayon yarn stocks in weaving mills at the end of October were 30,000,000 pounds, indicating a continuing low ratio of yarn inventory to grey goods output.

Caustic soda shortages, Election Day and Thanksgiving holidays all combined to slow rayon yarn output in November, according to the "Organon." Shipments in November totaling 70,500,000 pounds were 6% below the October figure of 75,100,000 pounds. Total shipments for the first 11 months of the year amounted to 772,000,000 pounds, a 10% gain over the corresponding period in 1945. It is also stated:

"November rayon filament yarn shipments amounted to 57,500,000 pounds (41,200,000 pounds of viscose + cupra and 16,300,000 pounds of acetate), while staple deliveries aggregated 13,000,000 pounds (9,400,000 pounds of viscose and 3,600,000 pounds of acetate). Rayon stocks held by producers at the end of November increased over October levels. Producers' stocks of viscose + cupra yarn were 8,200,000 pounds, acetate yarn 1,800,000 pounds, and staple fiber 2,600,000 pounds."

## Southern Bankers Assn. Elects Officers

E. R. Alexander of Columbia, S. C., on Dec. 3, was elected President of the Bankers Association of the Southern States, at the final session of the two day conference held in Nashville, it was stated in Associated Press advices from Nashville, in which it was also stated:

Other officers elected were Fred W. Greene of Raleigh, N. C., Vice President, and Ralph Fontaine of Louisville, Ky., Secretary.

The association voted to hold its 1947 meeting in Alabama, either in Birmingham or Montgomery.

## Weekly Lumber Shipments 0.8% Below Production

According to the National Lumber Manufacturers Association, lumber shipments of 419 mills reporting to the National Lumber Trade Barometer were 0.8% below production for the week ending Dec. 7, 1946. In the same week new orders for these mills were 5.8% below production. Unfilled orders files of the reporting mills, amounted to 53% of stocks. For reporting softwood mills, unfilled orders are equivalent to 23 days' production at the current rate, and gross stocks are equivalent to 42 days' production.

For the year-to-date, shipments of reporting identical mills were 0.6% below production; orders were 0.9% below production.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 19.9% above; shipments were 28.8% above; orders were 5.6% above. Compared to the corresponding week in 1945, production of reporting mills was 39.7% above; shipments were 45.7% above; and new orders were 28.8% above.

NOTES—Unfilled orders of the prior week, plus orders received, less production do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

## Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite in the week ended Dec. 7, 1946, the last week of the strike, was estimated by the United States Bureau of Mines at 2,240,000 net tons, compared with 2,050,000 tons in the preceding week and 12,276,000 tons in the corresponding week of last year. Cumulative output during the calendar year through Dec. 7, 1946 totaled some 487,446,000 net tons, which was a decrease of 10.3% below the 543,291,000 tons mined in the comparable period of 1945, ended Dec. 8.

Production of Pennsylvania anthracite for the week ended Dec. 7, 1946, as estimated by the Bureau of Mines, was 1,251,000 net tons, an increase of 88,000 tons (7.6%) over the preceding week. When compared with the output in the corresponding week of 1945 there was an increase of 230,000 tons, or 22.5%. Cumulative production of hard coal in the calendar year through Dec. 7, 1946, was approximated at 56,856,000 net tons, which was an increase of 9.1% above the 52,131,000 tons produced in the comparable period of 1945.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended Dec. 7, 1946, showed a decrease of 600 tons when compared with the output for the week ended Nov. 30, 1946; and was 76,000 tons less than for the corresponding week of 1945.

## ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE (In Net Tons)

	Week Ended	Jan. 1 to Date			
	Dec. 7, 1946	Nov. 30, 1946	Dec. 8, 1945	Dec. 7, 1946	Dec. 8, 1945
Bituminous coal and lignite	2,240,000	2,050,000	12,276,000	487,446,000	543,291,000
Total, including mine fuel	373,000	410,000	2,046,000	1,708,000	1,890,000

\*Subject to current adjustment. †Average based on 5 days.

## ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE (In Net Tons)

	Week Ended	Calendar Year to Date			
	Dec. 7, 1946	Nov. 30, 1946	Dec. 8, 1945	Dec. 7, 1946	Dec. 8, 1945
Penn Anthracite	1,251,000	1,163,000	1,021,000	56,856,000	52,131,000
Total incl. col. fuel	1,203,000	1,118,000	982,000	54,664,000	50,124,000

Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. †Subject to revision. †Revised.

## ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State	Nov. 30, 1946	Nov. 23, 1946	Dec. 1, 1945	Week Ended
Alabama	28,000	131,000	419,000	
Alaska	7,000	7,000	5,000	
Arkansas	14,000	24,000	37,000	
Colorado	4,000	89,000	185,000	
Georgia and North Carolina	1,000	1,000	1,000	
Illinois	278,000	396,000	1,445,000	
Indiana	32,000	208,000	539,000	
Iowa	14,000	21,000	44,000	
Kansas and Missouri	38,000	83,000	145,000	
Kentucky-Eastern	68,000	542,000	1,100,000	
Kentucky-Western	237,000	275,000	441,000	
Maryland	6,000	21,000	41,000	
Michigan	1,000	1,000	5,000	
Montana (bituminous and lignite)	52,000	67,000	95,000	
New Mexico	2,000	19,000	31,000	
North and South Dakota (lignite)	82,000	90,000	82,000	
Ohio	98,000	464,000	687,000	
Oklahoma	36,000	56,000	64,000	
Pennsylvania (bituminous)	478,000	1,978,000	2,795,000	
Tennessee	13,000	70,000	147,000	
Texas (bituminous and lignite)	1,000	2,000	2,000	
Utah	1,000	94,000	142,000	
Virginia	23,000	143,000	384,000	
Washington	8,000	13,000	31,000	
West Virginia-Southern	58,000	876,000	2,195,000	
West Virginia-Northern	462,000	660,000	1,106,000	
Wyoming	8,000	139,000	221,000	
Other Western States			*	
Total bituminous and lignite	2,050,000	6,470,000	12,390,000	

\*Includes operations on the N. & W., C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. †Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. ‡Includes Arizona and Oregon. \*Less than 1,000 tons.

## Coal Exports Affected by Strikes

Less than one-half the coal allocated for export was shipped during the past three months, due to maritime strikes in September and October and to the miners' strike which started on Nov. 21, Dan H. Wheeler, Deputy Solid Fuels Administrator, announced on Dec. 14.

November shipments totaled 1,251,507 gross tons, or only 42.6% of its 2,939,120 gross tons allocated. No shipments of bituminous coal were made after the freeze orders became effective on Nov. 16 except for three cargoes which were permitted to load with coal for gas plants in South America. Shipments of anthracite were not affected by SFAW freeze orders.

Solid fuel exports during October totaled 1,072,048 gross tons, or 45.7% of allocations of 2,344,500 gross tons. September exports amounted to 1,631,945 gross tons, or 54.6% of allocations of 2,989,500 gross tons.

In comparison, August coal exports amounted to 2,406,084 gross tons, or 91% of total allocations.

Total exports for September, October and November were 3,955,500 gross tons, or 47.81% of allocations amounting to 8,273,120 gross tons for the three months. The difference, 4,317,620 gross tons, should have gone principally to European countries.

Except for coal procured for Italy by the United Nations Relief and Rehabilitation Administration and that shipped by the U. S. Army, all coal exported was purchased by the importing country, either through the Treasury Procurement program or through commercial channels.

From April 1 through Nov. 30, 1946, solid fuel exports to Europe and Africa have totaled 10,371,960 gross tons, of which 8,546,999 gross tons were shipped to the liberated areas of Europe and to Italy and Yugoslavia. The remainder of 1,824,961 gross tons went to other European countries and Africa.

Since the inception of the Solid Fuel Administration export program on Aug. 1, 1945, to Nov. 30, 1946, this country has shipped 18,504,575 gross tons to liberated areas in Europe, Italy and Yugoslavia, and 3,407,309 gross tons to other countries of Europe and to Africa, a total of 21,911,884 gross tons.

## Daily Average Crude Oil Production for Week

## Ended Dec. 7, 1946 Decreased 99,824 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Dec. 7, 1946 was 4,694,750 barrels, a decrease of 99,824 barrels per day from the preceding week, but was 225,850 barrels per day in excess of the output in the week ended Dec. 8, 1945. The daily average figure estimated by the United States Bureau of Mines as the requirement for the month of December, 1946 was 4,677,000 barrels. Daily production for the four weeks ended Dec. 7, 1946, averaged 4,772,800 barrels. The Institute's statement further adds:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,720,000 barrels of crude oil daily and produced 14,845,000 barrels of gasoline; 1,866,000 barrels of kerosene; 5,870,000 barrels of distillate fuel, and 7,847,000 barrels of residual fuel oil during the week ended Dec. 7, 1946; and had in storage at the end of that week 88,183,000 barrels of finished and unfinished gasoline; 19,527,000 barrels of kerosene; 63,861,000 barrels of distillate fuel, and 57,209,000 barrels of residual fuel oil.

## DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

State	Actual Production	4 Weeks Ended	Week Ended
*B. of M. Calculated Requirements December	Week Ended Dec. 1	Dec. 7, 1946	Dec. 8, 1945
**New York-Penna.	48,200	47,850	49,300
Florida		200	50
**West Virginia	8,400	6,050	6,900
**Ohio-Southeast	7,600	5,200	4,000
Ohio-Other		2,150	3,200
Indiana	19,000	20,600	14,100
Illinois	210,000	201,200	204,700
Kentucky	29,000	30,350	29,950
Michigan	46,000	44,550	43,100
Nebraska	800	750	750
Kansas	263,000	270,000	242,150
Oklahoma	380,000	362,400	388,000

Texas		18,850	150	18,950	
District I		136,550	10,650	144,550	
District II		428,600	35,700	455,350	
District III		211,300	15,050	222,600	
District IV		34,950	1,900	36,350	
District V		317,150	6,850	322,300	
East Texas		100,200	4,850	103,850	
Other Dist. VI		34,600	700	35,100	
District VII-B		27,950	1,550	29,100	
District VII-C		500,800	6,450	505,650	
District VIII		118,500	2,900	120,700	
District IX		81,000	450	80,650	
District X					
Total Texas		2,050,000	12,000,267	2,010,450	— 86,300 2,075,150 1,918,900
North Louisiana			93,050	400	92,500
Coastal Louisiana			310,200	850	309,500
Total Louisiana		382,000	444,000	403,250	— 1,250 402,000 370,800
Arkansas		76,000	81,247	73,500	— 50 73,350 76,000
Mississippi		60,000	8		

## Items About Banks, Trust Companies

The annual Christmas Carol Concert of the City Bank Choral Society, composed of employees of The National City Bank of New York and City Bank Farmers Trust Company was given on Wednesday evening, Dec. 18 at 5:30 p.m., on the Main Bank Floor at 55 Wall Street. Lawrence W. Huse was the conductor and Carlos F. Newman, organist. Natalie Liddell is Chairman of the Choral Society. On the 19th, 20th, 23rd and 24th of December daily organ recitals will be given on the bank floor from noon to 1 p.m.

At the regular meeting of the Board of Directors of The National City Bank New York on Dec. 17, the following were appointed resident Vice-Presidents: Alexander D. Calhoun, John T. Reed, Charles R. Varty and Henry H. Whitman. All are assigned to the Overseas Division. The following were appointed Assistant Vice-Presidents: George E. Barnett, Leslie C. Riggs, Charles H. Larson and John I. Pearce. Henry H. Debes was made Assistant Comptroller, and the following were appointed Assistant Cashiers: Donald M. Lovett, Hollister B. Cox, Edward A. Jesser, Jr., Peyton F. McLamb, Walter W. Jeffers, and John K. Fitzpatrick.

Frank K. Houston, Chairman has announced that the Board of Directors of the Chemical Bank & Trust Company of New York authorized on Dec. 12 the transfer of \$5,000,000 from undivided profits to surplus thereby increasing the surplus to \$70,000,000. Combined Capital & Surplus now totals \$95,000,000.

E. Chester Gersten, President of The Public National Bank and Trust Company of New York, announces the appointment of Omar R. Dedert, who is located at the Main Office, as Assistant Cashier.

Arthur S. Kleeman, President of Colonial Trust Company of New York announced on Dec. 16, the appointment of Warren A. Poitras as Assistant Secretary and Assistant Treasurer. Mr. Poitras, who recently returned after four years' service as a Special Agent in the Counter Intelligence Corps of the United States Army, is in the Correspondent Bank Division of the institution. He is a member of the Young Men's Board of Trade of New York, and Chairman of the National Opinion Forum Committee.

Mr. Kleeman also announced the appointment of John Dowling as an Assistant Manager in the Foreign Division. Mr. Dowling was for many years in the Foreign Department of the National City Bank, and during the war he served as a chief Yeoman in the United States Navy.

The election of C. William Borchers from Secretary to Vice-President and Secretary of the North Side Savings Bank, 3230 Third Ave., New York City (Bronx) was announced on Dec. 9 by the bank's President Fred Berry. Mr. Borchers has been an employee of the North Side Savings Bank for the past 27 years. He began his career with the Bronx institution as a clerk. In making the announcement, President Berry stated that "it is the policy of this bank and always will be, for promotions to executive positions within this savings institution to be made, whenever possible, among our own employees." Mr. Borchers, who resides in Ardsley, is a director of

the First National Bank of Ardsley; after six years of service on the Ardsley Board of Trustees, Mr. Borchers is now serving as Mayor of that Village.

Eugene J. McCarthy has been appointed Assistant Treasurer of The County Trust Company of White Plains, N. Y. according to a statement issued by Andrew Wilson, Jr., President. Mr. McCarthy, a resident of Scarsdale for five years, has been associated for the past ten years with the Bank for Savings in the City of New York in charge of Westchester and upstate New York mortgage activities. Prior to his connection with the Bank for Savings, he was identified with real estate sales and management in New York City. Mr. McCarthy will be affiliated with the mortgage department of the County Trust Company.

The Dime Savings Bank of Brooklyn, N. Y. will entertain depositors and friends on Tuesday afternoon (Dec. 24) from one to two o'clock with a program of Christmas Carols sung by the Glee Club of the Bank, at their main office, Fulton Street and DeKalb Avenue, Brooklyn. This will be the 13th annual Christmas Carol Sing to which the public has been invited. Song booklets are distributed so that everyone may participate in the Holiday singing. The Dime Savings Bank Glee Club is composed of 37 voices, under the direction of Grant Smith, organist and Choirmaster of Trinity Church, Ossining, N. Y. George C. Johnson, President of the Bank will extend Seasons Greetings during the program. The Christmas Carol Program will be broadcast from the bank over Radio Station WNEW (11:30 KC.) from 1 p.m. to 1:30 p.m.

Stockholders of Brooklyn Trust Company of Brooklyn, N. Y. have been asked to ratify a Pension Plan for the benefit of employees of the Company and its affiliate, Brooklyn City Safe Deposit Company, at the annual meeting to be held on Jan. 13, next. Under the plan as submitted, which if ratified will become effective Feb. 1, 1947, all employees under the age of 65 who have five years or more of continuous service with the Company will be eligible to become members of the plan on its effective date and those with less than five years' service will become eligible on the first of the month following completion of five years' service, provided they have not then attained the normal retirement age of 65 years. Members of the plan will be entitled to receive pensions on retirement at age 65, which will be determined by length of service and amount of salary. The formula for determining the total pension, on an annual basis, will be as follows:

For Past Service (prior to Feb. 1, 1947): 1% of annual rate of salary as of Jan. 1, 1947, multiplied by the number of years of past service excluding the first five such years. For Future Service (after Feb. 1, 1947): 1% of the first \$3,000 of annual salary plus 2% of the excess over \$3,000 for each year of future service.

The announcement also says: "The entire cost of past service pension credits will be borne by the Company. Employees receiving salaries of \$3,000 a year or less will not be required to contribute to the cost of the plan. Those receiving over \$3,000 a year will contribute approximately 6% of

the excess of their annual salaries over \$3,000.

"The pensions will be insured and paid by the Equitable Life Assurance Society of the United States under a Group Annuity Contract, except those of persons already over 65 years of age on the effective date of the plan, which will be paid directly by the Company in the same amounts as though such persons had been covered by the Group Annuity Contract and had retired at age 65."

In a letter to stockholders accompanying the plan and the notice of the meeting, George V. McLaughlin, President of the Company, stated that the cost of funding pensions based on past service had been estimated at approximately \$1,230,000, which may be paid in installments over a period of 10 years or longer. Mr. McLaughlin said further that the cost of future service pension credits to be paid by the Company in the first year had been estimated at approximately \$95,000 and that the cost of providing pensions for persons over 65 years of age on the effective date would be approximately \$37,000 for the first year of operation of the Plan.

Directors of the State Bank of Kenmore have voted to recommend to stockholders that they approve a 50% stock dividend. President Albert A. McMullen announced on Dec. 11, it was stated in the Buffalo "Evening News" of that date. The stockholders will vote on the proposal at their annual meeting Jan. 14. From the "Evening News" we quote:

If the measure is approved, the stockholders would receive a half share for each share held. The par value of the stock would remain at \$10 a share but the institution's capital would be raised from \$200,000 to \$300,000. Funds for the stock dividend would be provided out of the bank's surplus of \$400,000. Mr. McMullen said the proposed stock dividend has been approved by the State Banking Department.

Directors also declared a cash dividend of 75 cents a share, payable Dec. 31 to stockholders of record Dec. 20. This will raise total dividend disbursements for 1946 to \$1.50 a share, the same as paid in 1945. Previously this year, the bank distributed three dividends of 25 cents each. The stock was bid Tuesday at 30."

A 50% stock dividend, payable to stockholders of record on Dec. 30, has been declared by the Lockport Exchange Bank of Lockport, N. Y. it is learned from the Buffalo "Evening News" of Dec. 11. The paper from which we quote added:

For each two shares held, the stockholders are to receive one share of stock. A cash dividend of 30 cents a share on stock of record as of Dec. 10 also was voted by directors. This was designated as 20 cents regular semi-annual and 10 cents extra, making a total of 50 cents for the year.

Col. Robert A. Duffy, who prior to his service in the war was associated with the Federal Reserve Bank of Boston, has joined the Marine National Exchange Bank of Milwaukee, Wis. and has been assigned to the trust department; this was made known in a recent issue of the Milwaukee "Journal."

Roger Amory, Chairman of the Board of National Rockland Bank of Boston, has purchased approximately 10,000 shares of the bank's stock, formerly held by the William A. Gaston estate and the late Henry G. Lapham, it was stated in the Boston "News Bureau" of Dec. 12, which further said. A moderate amount of the stock has been resold to other directors of the bank. Whereas the two blocks earlier had been "hanging over the market," they have now been acquired by Mr. Amory for

permanent investment based on his confidence in the future of the bank.

The Capitol National Bank & Trust Company of Hartford, Conn. has increased its annual dividend distribution and increased its surplus account by \$100,000, it was reported by the Hartford "Courant" of Dec. 5, which added:

"Directors at their meeting on Dec. 4, declared the usual extra dividend of 50 cents a share and a semi-annual dividend of \$1 a share against 75 cents declared previously, both payable Jan. 2 to stockholders of record Dec. 4. With the extra the new annual dividend rate becomes \$2.50 a share against \$2 previously.

"Transfer of \$100,000 from the undivided profit account makes new surplus \$400,000, capital \$300,000 and undivided profit more than \$100,000."

Frederic P. Fiske, President of the Montclair Trust Co., of Montclair, N. J., announced on Dec. 16 the election of Albert M. Stanton, Jr., as Executive Vice-President of the bank. This was indicated in the Newark "Evening News", which said that Mr. Stanton who held the office of Vice-President and Secretary, also has been a member of the board of directors the last two years. It is added that he is a member of the Class of 1926 of the University of North Carolina and has devoted his entire career to banking. He entered the trust company in 1934 coming from the North Carolina Bank & Trust Co. of Greensboro. He is also a director of the Essex Title Guaranty & Trust Co.

The Columbia National Bank of Washington, D. C., capital \$250,000, was placed in voluntary liquidation effective Nov. 30 having been absorbed by the American Security & Trust Co. of Washington.

The issuance of a charter on Nov. 29 by the Comptroller of the Currency for the Forest Park National Bank, of Forest Park, Ill., was made known by the Comptroller's Office on Dec. 9. The bank, which has a capital of \$100,000, is a conversion to the National System of the First State Bank of Forest Park.

According to Robert Lund, Detroit "Free Press" financial writers the National Bank of Detroit has completed another phase of its long-range program, as outlined in the bank's annual report, when directors approved:

1. Retirement on Jan. 6 of the remaining \$8,500,000 worth of preferred stock held by the Reconstruction Finance Corporation.

2. Payment of a 20% stock dividend Feb. 1 to stockholders of record Jan. 6 and declaration of the semi-annual dividend of 65 cents per share on 1,250,000 shares now outstanding, payable Feb. 1 to holders of record Jan. 3. In reporting this in the Dec. 10 issue of the "Free Press" Mr. Lund further said:

"Chairman Walter S. McLucas disclosed the actions following approval by the board of directors."

Retirement of the stock held by the RFC was made possible by retention in the capital structure of a "substantial portion" of the bank's earnings since 1933, McLucas explained.

RFC invested \$12,500,000 in the bank at the time it was formed in March, 1933. The Jan. 6 retirement will discharge the entire loan.

The Mercantile-Commerce and Trust Company, St. Louis, announced on Dec. 10 that Gale F. Johnston, Vice-President of the Metropolitan Life Insurance Company of New York, will be elected President of the Bank at its annual meeting Jan. 15, and will assume his duties on Feb. 1. Mr.

W. L. Hemingway, who has been President of the Bank since Jan. 1933, will be elected Chairman of the Board. Mr. Johnston, a former resident of St. Louis, has been residing in New York since 1942, where he has served as Vice-President of the Metropolitan Life Insurance Company in charge of group insurance sales in the United States and Canada. Since moving to New York, Mr. Johnston has served as a Director on the Advisory Board of the Chemical Bank and Trust Company; Director of the Transdelta Corporation; Commissioner of and Director of the Greater New York Councils, Boy Scouts of America; Member National Executive Board, Boy Scouts of America; Consultant to the U. S. Treasury for sale of War Bonds and other securities, making a tour of 42 states in the promotion of War Bond Sales; Chairman for New York County in the Victory Loan campaign; Chairman of the Life Insurance Division in six war loan campaigns; Member of the Executive Committee of the War Finance Committee of New York State; National Director and Vice Chairman of the New York Committee of Russian War Relief; Member Graduate Council and Vice Chairman of the Alumni Committee of Princeton University. An item indicating that Mr. Johnston would become President of the Mercantile-Commerce Bank & Trust Co. appeared in our Dec. 12 issue, page 3013.

The election of Victor E. Cooley, as a director of the First National Bank of St. Louis, Mo., was reported on Dec. 11 by the St. Louis "Globe Democrat," which also noted that Mr. Cooley is President-elect of the South Western Bell Telephone Company. The same paper said:

"Bank declared \$1 per share, 60 cents of which is an extra dividend payable Dec. 20 of record Dec. 13, and 40 cents payable Feb. 28, 1947, of record Feb. 21. Also authorized was the transfer of \$1,800,000 from undivided profits to surplus, bringing total surplus to \$9,300,000."

The Board of Directors of the Boatsman's National Bank, St. Louis, Mo., have authorized the transfer of \$100,000 from undivided profits to surplus, bringing the surplus account to \$3,000,000, it was stated in the St. Louis "Globe Democrat" of Dec. 11.

Bernard Zick, Jr., formerly President of the First National Bank of Independence, Mo., died on Dec. 6, at the age of 73. Mr. Zick, according to the Kansas City "Times" was President of the First National Bank of Independence from 1903 to 1925, when he left to become an official of the Kansas City Wholesale Grocery Company.

At the close of the annual meeting of the Citizens and Southern National Bank, Atlanta, Ga., Mills B. Lane, Jr., President announced, according to the Atlanta "Constitution" of Dec. 11, that James N. Frazer was elected Director, and Fred E. deBray, William Rentz, and John J. O'Neill, all of Atlanta, were elected to junior officerships. At the same time Mr. Lane made known that there had been voted a regular and special dividend for stockholders, and additional compensation for all officers and employees of the bank. The "Constitution" said:

"Action on the dividend was applicable to the first six months of 1947 and included payment of a regular quarterly dividend of 20 cents per share on Jan. 2 and April 1, 1947, and an extra dividend of 20 cents per share on Jan. 2."

## Security Traders Ass'n of New York



Frank Pavis, *Chas. E. Quincey & Co.*; Michael J. Heaney, *Joseph McManus & Co.*; Joseph Janareli.



Arthur Schwartz, *Bache & Co.*; John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.*; J. Wm. Kumm, *Dunne & Co.*; David R. Mitchell, *Blair F. Claybaugh & Co.*



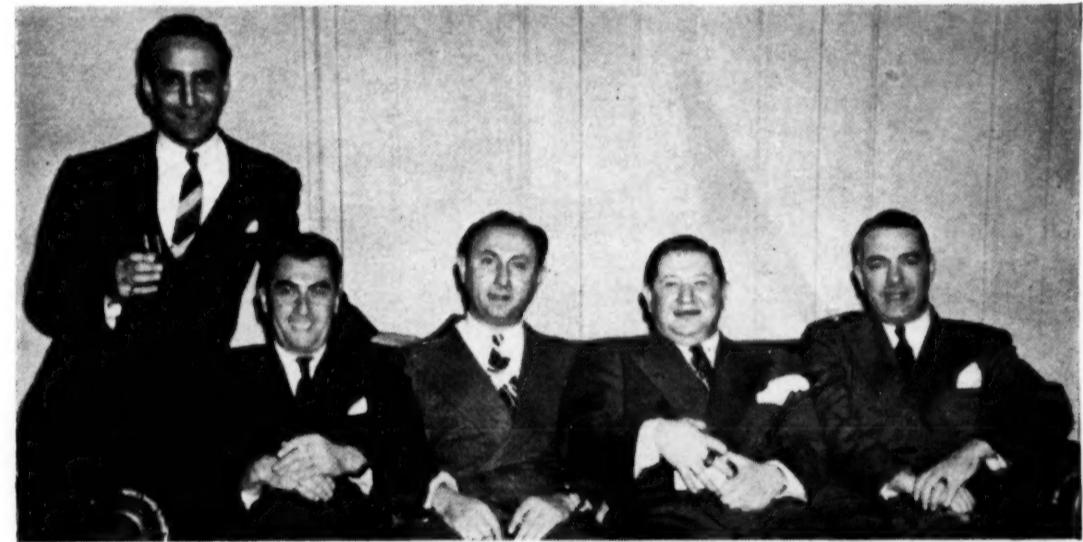
Eugene Stark, *Merrill Lynch, Pierce, Fenner & Beane*; Joe Eagan, *Frank C. Masterson & Co.*; Wm. Schmidt, *Laird, Bissell & Meeds*; Fred Fox, *P. F. Fox & Co.*



Edward O'Kane, *John J. O'Kane, Jr. & Co.*; Bill Eiger, *Hart Smith & Co.*; Frank Mackessy, *Abbott, Proctor & Paine*; Peter Barken.



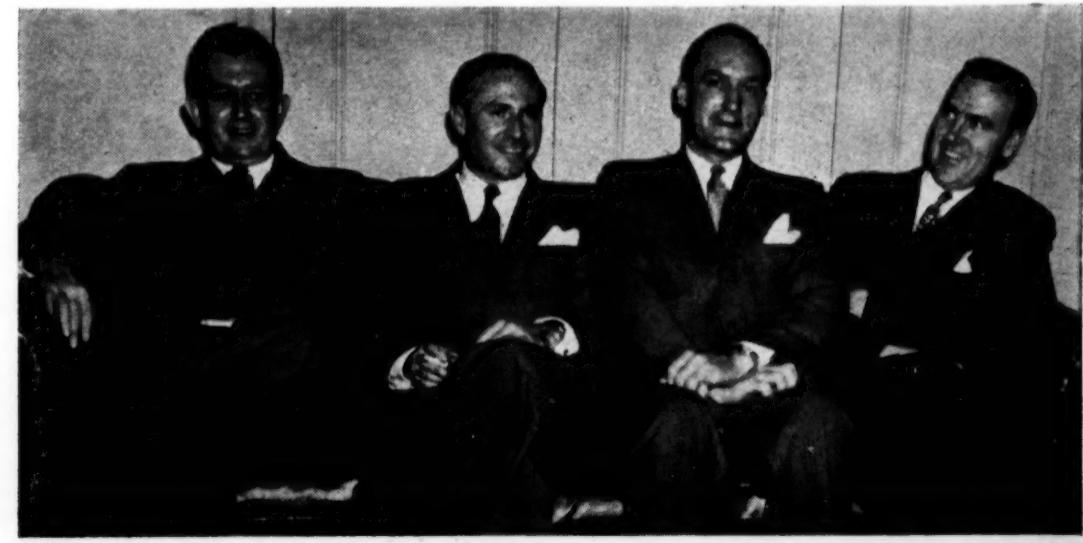
George Frings, *Fitzgerald & Co.*; James P. Cleaver, *Goodbody & Co.*; Frank C. Masterson, *Frank C. Masterson & Co.*; Larry T. Doyle, *Hardy & Co.*



Sid. Siegel, *Siegel & Co.*; Murray Barysh, *Ernst & Co.*; Herb Lax, *Greenfield, Lax & Co., Inc.*; Abe Strauss, *Strauss Bros., Inc.*; Thomas J. Heffernan, *Hardy & Co.*

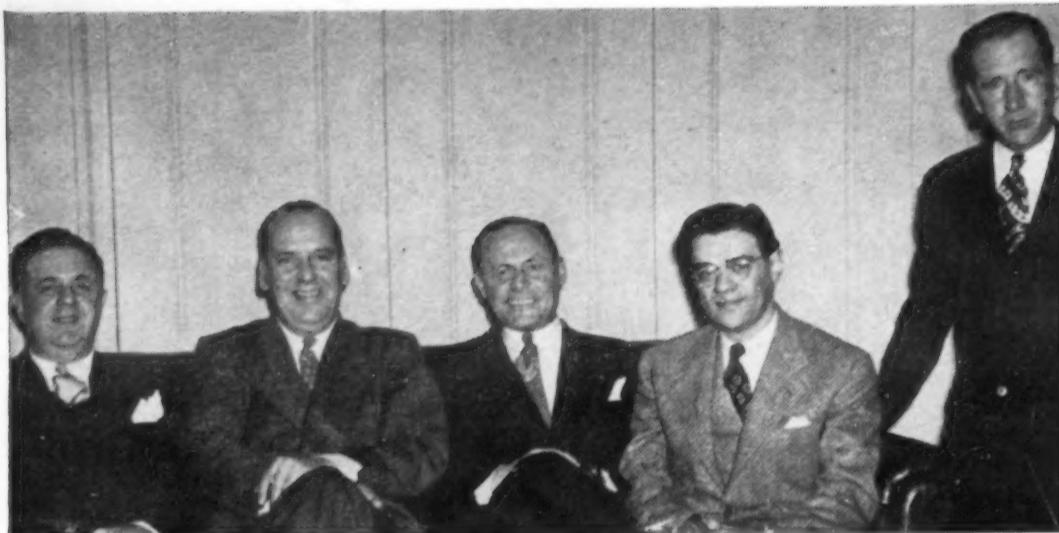


Harry Arnold, *Paine, Webber, Jackson & Curtis*; Irving Stein, *L. D. Sherman & Co.*; George Searight, *Aetna Securities Corp.*; W. Foster Webster, *Hardy & Co.*; Howard Brown, *Ingalls & Snyder*.



Thomas S. Evans, *Lee Higginson Corp.*; Homer O'Connell, *Homer O'Connell & Co.*; Richard Abbe, *Van Tuyl & Abbe*; Arthur Hamill, *Lee Higginson Corp.*

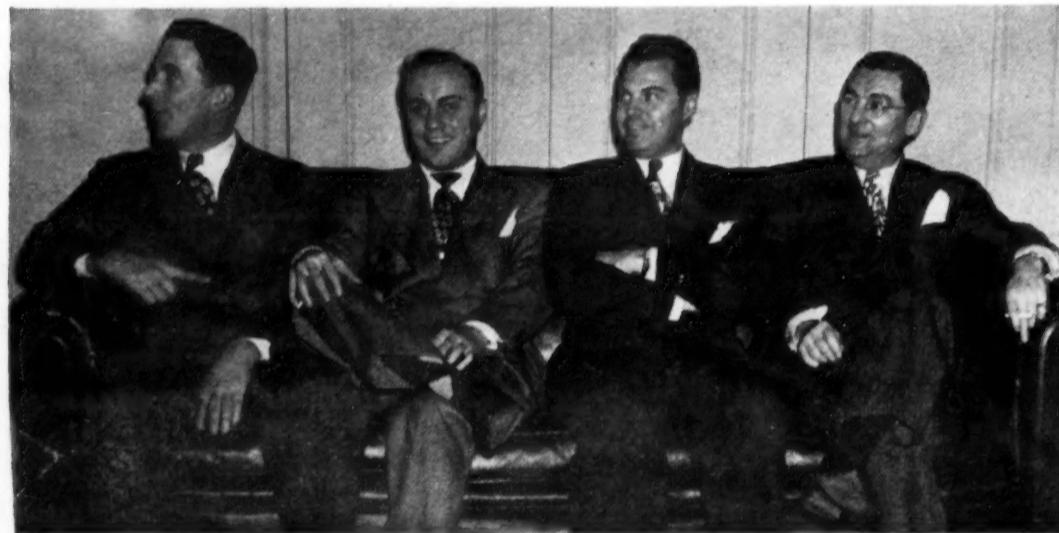
## Annual Dinner and Election



Harry Michels, *Allen & Co.*; Jim McGivney, *Hornblower & Weeks*; Irv Manney, *Eisele & King*, *Libaire*, *Stout & Co.*; Allan Lopato, *Allen & Co.*; Larry Wren, *Allen & Co.*



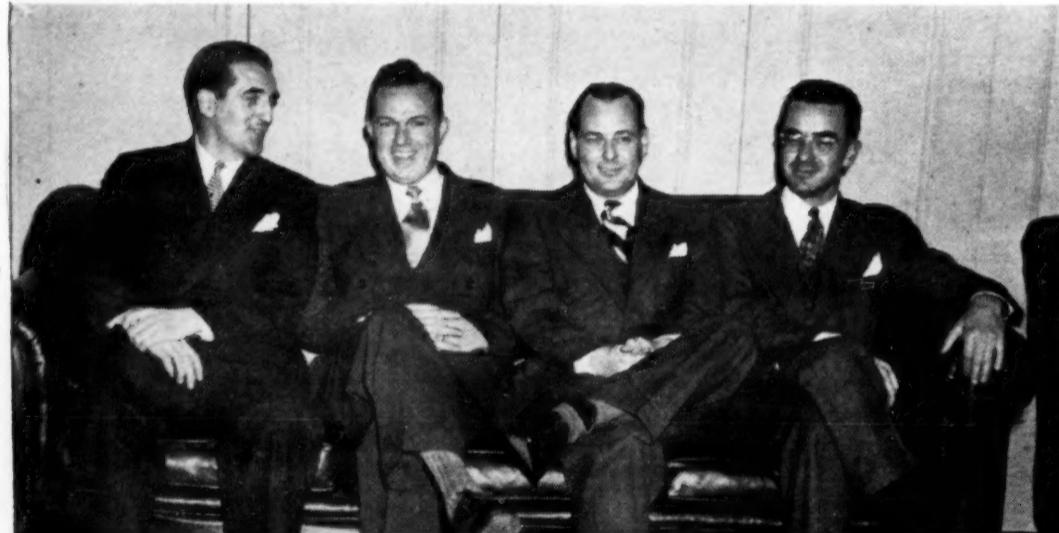
Sam King, *King & King*; Nat Krumholz, *Siegel & Co.*; Sam Magid, *Hill, Thompson & Co.*; Frank J. McCall, *J. F. Reilly & Co.*



Thomas Shortell, *Newborg & Co.*; Bernard Conlon, *P. F. Fox & Co.*; James F. Fitzgerald, *Paul & Co.*; Ben Van Keegan, *Frank C. Masterson & Co.*



Jack Blockley, *Harris, Upham & Co.*; Milton Van Riper, *Mackubin, Legg & Co.*; John Ohlandt, Jr., *J. Arthur Warner & Co.*; Walter F. Saunders, *Dominion Securities Corp.*



D. Raymond Kenney, *First Colony Corp.*; Edmund A. Whiting, *Peter Morgan & Co.*; King Ghegan, *Ira Haupt & Co.*; Charles C. Horton, *Kaiser & Co.*



D. A. Fitzpatrick, *Van Alstyne, Noel & Co.*; John E. Kassebaum, *Van Alstyne, Noel & Co.*; Joseph M. Kelly, *J. Arthur Warner & Co.*; Tom Greenberg, *C. E. Unterberg & Co.*

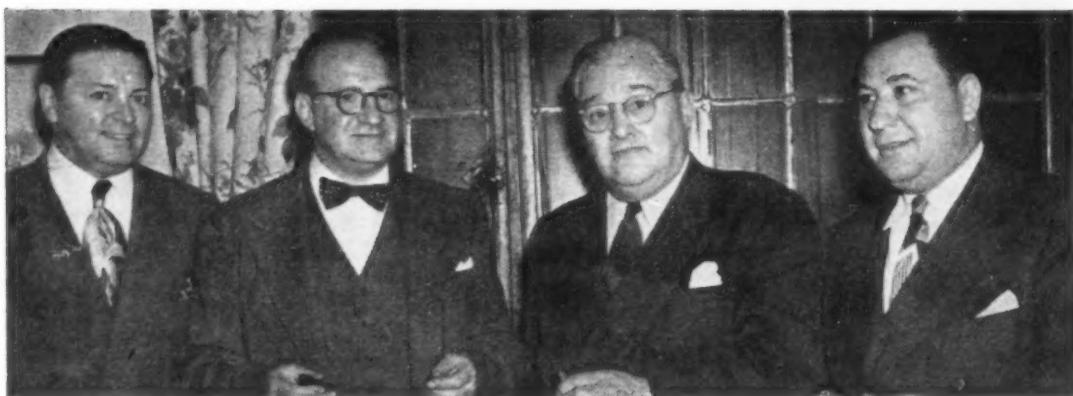


Arthur B. Retallick, *Van Alstyne, Noel & Co.*; Duke Hunter, *Hunter & Co.*; Chet de Willer, *C. E. de Willers & Co.*



B. W. Pizzini, *B. W. Pizzini & Co.*; John F. McLaughlin, *McLaughlin, Reuss & Co.*; Louis Gibbs, *Laird, Bissell & Meeds*.

## Meeting Held December 6, 1946



John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane*; S. Joseph Florentine; Harold B. Smith, *Collin, Norton & Co.*; J. Jay Schwadron, *Burke & Co.*



John Heck, *Townsend, Graff & Co.*; R. Sims Reeves, *Blair & Co.*; E. Michael Grownay, *Grownay & Co.*; A. C. Huff, *Georgeson & Co.*



John J. Farrell, *Coburn & Middlebrook*; Robert J. Sullivan, *Coburn & Middlebrook*; Charles King, *Charles King & Co.*; Bill Doherty, *A. M. Kidder & Co.*



Al Marsland, *Wood, Gundy & Co.*; Paul Morton, *Peter P. McDermott & Co.*; Nat Greene, *Simons, Linburn & Co.*; Murray Perlman, *S. K. Cahen & Co.*



Adrian Frankel, *Seligman, Lubetkin & Co., Inc.*; Irving J. Silverherz, *Seligman, Lubetkin & Co., Inc.*; Edward W. Russell, *Seligman, Lubetkin & Co., Inc.*; Charles O'Brien Murphy, *Merrill Lynch, Pierce, Fenner & Beane*; George L. Collins, *Geyer & Co.*



O. D. Griffin, *Lord, Abbott & Co.*; Maury Hart, *New York Hanseatic Corporation*; Martin L. Levy, *Lee-Willen Co.*; Harold F. Rees, *Newburger, Loeb & Co.*



David Wittman, *Lewisohn & Co.*; Otto A. Berwald, *Berwald & Co.*; Edward J. Markham, *Wertheim & Co.*; James T. Fox, *J. T. Fox & Co.*



Walter Filkins, *Troster, Currie & Summers*; George Martens, *Cohu & Torrey*; Harold Burke, *Auchincloss, Parker & Redpath*; John D. Hines, *Kaiser & Co.*



Walter R. Johnson, *G. A. Saxton & Co.*; Arthur W. Bertsch, *G. A. Saxton & Co.*; Charles M. Zingraf, *Laurence Marks & Co.*; Hugh Kilmer, *Hardy & Co.*



Allan Kadell, *E. H. Rollins & Sons, Inc.*; Henry P. Bird, *Charles Clark & Co.*; George D. Doherty, *E. H. Rollins & Sons, Inc.*; Gerald F. Monahan, *Joseph Faroll & Co.*

## Marks Stany's Eleventh Year



Alfred F. Tisch, Fitzgerald & Co.; R. W. Allison, Lewisohn & Co.; Jeff Horsfield, Wm. J. Mericka & Co.



Ed Jacobs, Blair F. Claybaugh & Co.; Leo Goldwater, Goldwater, Frank & Ogden; Bob Livingston, L. J. Schultz & Co.



Tom Worthington, Winckler, Onderdonk & Co.; Jim Musson, B. J. Van Ingen & Co.; Harry Peiser, Ira Haupt & Co.; Rollie Morton, Blue List Publishing Co.



Irving Gersten, Shepard, Scott & Co.; John Burke, Merrill Lynch, Pierce, Fenner & Beane; Frank Koller, F. H. Koller & Co.; Henry Gersten, Hettleman & Co.; John Sullivan, Merrill Lynch, Pierce, Fenner & Beane.



Henry Byrne, Hirsch & Co.; Julius D. Brown, Hirsch & Co.; Edward Chapman, Spencer Trask & Co.; Jack Gertler, Gertler, Stearns & Co.



John G. Preller, Pflugfelder, Bampton & Rust; Henry Oetjen, Pflugfelder, Bampton & Rust; John Reilly, F. H. Koller & Co.; Gerald F. X. Kane, Luckhurst & Co.



Louis Weingarten, Herzog & Co.; Tom Reilly, J. Arthur Warner & Co.; Ted Plumridge, J. Arthur Warner & Co.; J. Jay Schwadron, Burke & Co.



Joe Lann, M. S. Wien & Co.; Al McGowan, New York Hanseatic Corp.; Mark Aiello, Spencer Trask & Co.; Bert Burbank, White, Weld & Co.; Jim Kelly, Kidder, Peabody & Co.; Joe McManus, Jos. J. McManus & Co.



Harold Marache, Battles & Co.; Elmer Myers, B. W. Pizzini & Co.; Tom Moore, H. Hentz & Co.; Bill Boggs, W. H. Bell & Co.